Mind the gap

Britain’s progressive deficit

DOUGLAS ALEXANDER • DAN CORRY • PETER HAIN • PHILIPPE LEGRAIN
PETER MANDELSON • ROBERT PHILPOT • BARBARA ROCHE
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Mind the gap

Britain's progressive deficit

Edited by Robert Philpot
Contents

Introduction: The progressive deficit
Robert Philpot

Economy: The importance of being earners
Philippe Legrain

Public services: Public service matters
Dan Corry

Inequality: Fair shares
Barbara Roche

Democratic renewal: Democracy challenge
Douglas Alexander

Europe: Achieving more together
Peter Mandelson

Conclusion: Ending the progressive deficit:
a vision for Labour’s third term
Peter Hain
The progressive deficit

The evening of May 1, 1997 was extraordinary in many ways. It was a night of broken records – the greatest electoral swings ever, the largest parliamentary Labour majority ever, the worst Conservative performance since the arrival of universal suffrage. But, as these historic achievements suggest, the election which brought Tony Blair to power was remarkable not simply for the manner in which it ejected the Conservative party from government after eighteen years. Labour’s accomplishment that day was also to resolve, possibly only temporarily, what David Marquand has termed ‘the progressive dilemma’ – the failure of Britain’s non-Conservative forces to find a political vehicle to realise their ambitions.

That dilemma, stemming, believes Marquand, from the centrality of class in Labour’s philosophy, was especially acute for two reasons. First, enough of the radical intelligentsia – ‘the suppliers of ideas, the framers of policy, the makers of ideological claims without whom Labour could never be more than a glorified pressure group’ – found themselves uncomfortable with Labour’s culture and ethos so that the party was never able to ‘dominate the moral and intellectual debate in the way that the Roosevelt coalition dominated it in the United States’ (Marquand, 1992).

Second, there were the millions of potential anti-Tory voters outside of Labour’s core constituency for whom the party ‘did not make sense’. To them, the fact that Labour both placed class above all other factors and appeared to believe that the interests of the working class had a ‘special legitimacy denied to other class interests’ did not prove electorally appealing (Marquand, 1992).

The resulting ‘progressive dilemma’ has, historically at least, proved politically disastrous for Labour since it supplanted the Liberal party as the country’s main non-Conservative force after the first world war. Until 1997, the party had never managed to serve two full terms in office (managing only six and a half years continuously in government) and had won only two decisive election victories (in 1945 and 1966). On other occasions, it has either been defeated outright; cheated by the electoral system of a substantial parliamentary majority (1950 and 1951); or, as a result of a weak performance, only able to form weak minority or small majority governments (1924, 1929, 1964 and 1974).

Furthermore, for Britain’s progressive forces, Labour’s electoral performance has been amazingly frustrating: the party proving itself –
except, perhaps, for the early 1980s – too strong to allow another party to emerge to seriously challenge the Tories, yet too weak on most occasions to make its own challenge effective.

Labour’s failure has, however, been more than simply catastrophic for the party itself. It has also proved a disaster both for the country it aims to govern and the people it cares most deeply about. By the time Labour came to power in 1997, the progressive dilemma had produced a progressive deficit. The Prime Minister best defined this deficit in his address to the Fabian Society this summer:

By 1997, Britain was a long way from being a modern social democratic country. Our constitution was failing, with Scotland and Wales denied proper government, and hereditary privilege still the foundation of a second chamber where people made laws simply because of their birth. Decades of under-investment meant that public goods – the things that most European countries took for granted: quality childcare, universal nursery provision, modern public buildings, schools and hospitals with proper equipment and enough well paid staff – were all run down in Britain. It was a country where we spent billions of pounds keeping able-bodied people idle because of boom and bust, with unemployment at times over three million, and where millions were denied a living wage. Social divisions ripped apart communities with one in three children growing up in poverty, one in five families with no one in work; many communities crippled by crime and anti-social behaviour. Meanwhile, the turmoil in the Conservative party over Europe had reduced Britain to its margins, without effective influence within the key strategic and political alliance on our doorsteps (Blair, 2003).

Britain’s progressive deficit – all too often the direct result of the dogma, indifference and anachronistic thinking of Conservative governments but also the indirect result of Labour’s inability to defeat them at the ballot box – was thus apparent on a number of fronts. A constitution which was barely fit for the early 20th century let alone the 21st. An economy which has historically under-performed those of comparable western countries. Public services which, despite the dedication of their staff and widespread public support, were too often rundown, shoddy and unworthy of a modern European nation. Levels of inequality and poverty which were not only morally unacceptable in of themselves but also a shocking waste of the country’s potential and a major contributor to Britain’s sclerotic economy. Finally, a failure – by governments of both parties – to embrace and, where we disagreed, attempt to shape, the efforts of our neighbours to build a...
democratic and prosperous European community of nations.

The questions which the progressive deficit throws up are hardly new. Take the questions about the character of the British state, the nature of capitalism – how we shape it to benefit the many and not the few and how we curb its worst excesses – and how we provide those common goods which define the character of our communities and our country. As M arquand has argued: 'They [the questions] dominated the political agenda during the long Indian summer of British Liberalism that ended in 1914. New Labour has not advanced into astounding new territory, never before glimpsed by a political thinker’s eye; rather, it has picked up, after the British left’s 80-year detour, where A squith and Lloyd George left off.’ (M arquand, 1998). Britain’s relationship with fledgling European attempts at European and political integration stretch back for a shorter, but still not inconsiderable period, to the 1950s.

Debate and dialogue

It is the progressive deficit – why it matters, what Labour has achieved and what efforts a third term Labour government should undertake – which is the focus of this pamphlet. Within the Labour party, the opportunities for shaping a progressive agenda for the future exist but they are hampered on several fronts. On the one hand, the inability of some to countenance the notions both that criticism of the government can result from motivations other than spite, careerism or pure oppositionism and that policymaking should take place outside a small coterie of the chosen few. The recognition, in other words, that debate and dialogue are essential to Labour’s long-term health as a political party and the realisation that only open discussion can ameliorate, and may even resolve, some of the conflicts and, indeed, mistakes that have too often characterised Labour’s second term.

On the other hand, we have to recognise that there are some within Labour’s ranks whose criticisms do not always stem from the purest of motivations. It is not surprising, furthermore, that many of the government’s staunchest defenders find it hard to accept criticism from those who have cried betrayal ever since Tony Blair stepped over the threshold of N umber 10 (indeed, even before that moment). They fail to credit the government with the enormous strides that have been made since 1997 (and the fact that they have, on many fronts, far exceeded the expectations of many in the party). They fail, too, to find a language to express their views which is not shrill, vitriolic, and often highly personalised. It is not amazing, either, that those who broadly support this government do not rush to adopt the
policies and political prescriptions offered by individuals who are either not
party members (but somehow believe they have a right to speak on their
behalf) or have only recently joined our ranks, following a flirtation with
anti-Labour parties on the far left.

It is, however, essential that Labour finds a way to have an open, inclusive
and grown-up debate about how our next manifesto goes about closing the
progressive deficit. We hope that this pamphlet – and the work on this topic
which Progress intends to undertake over the coming year – provides one
such opening. Given the electoral history set out previously, it is imperative
that the government's efforts remain focused on the progressive deficit:
continuing to work to close it during the remains of its second term and,
most importantly, building support within the party and the country for
the measures which a third term must undertake.

The opportunity the government has – to, at least in the short term,
win a third term with a majority capable of sustaining the party in power
for a full five years – is unique in Labour's history. To miss that opportunity
– or fail to fully embrace the possibilities it presents – would be
unforgivable. Ending Britain's progressive deficit – shaping the country's
politics and character in the process – is a task which only a prolonged
period in government, such as that which the voters have offered us,
can achieve.

A lasting legacy

John Denham has posed the question as to what kind of government
Tony Blair's administration will prove itself to be. As he correctly noted,
only two governments in the past sixty years – those of Clement Attlee
and Margaret Thatcher – can really be said to have changed things so much
that Britain was never the same again. 'You cannot imagine how Britain
would have been without the Attlee or Thatcher governments. They both
left legacies that still dominate much of British politics,' argued Denham,
before wondering whether the Blair government will have shaped politics
in 2025 as the Thatcher administration still shapes ours today. A continued
and renewed effort to bridge the progressive gap would ensure that Labour
will achieve that goal.

Why the progressive deficit matters is explored by each of our
contributors. Examining it in relation to the economy, Philippe Legrain
rightly suggests: 'A successful economy is a prerequisite for sustaining a
progressive agenda. It provides the means to achieve prosperity for all: raising
living standards, increasing opportunity, reducing poverty and improving
people’s quality of life. And it is the key to Labour winning a third term in government, and hence pursuing its broader progressive aims.

Those progressive aims – high quality public services, narrowing the inequality gap, democratic renewal and placing Britain at the heart of Europe – are examined by Dan Corry, Barbara Roche, Douglas Alexander and Peter Mandelson.

Public services, as Dan Corry notes, ‘being driven by values rather than profit are a collective oasis in a predominantly market economy’. They ensure the provision of universal services which the market, driven by profit, would otherwise not provide in a manner which most citizens want. As Corry demonstrates, they are also a force for redistribution and, for the poorest in society, ‘an enabling force’, offering the possibility for individuals and families to improve their lot in life. Moreover, in a way the right has never fully accepted or understood, public services are also a vehicle for wealth creation, not just wealth distribution.

Because of its commitment to equality, wealth distribution has been a central concern of Labour’s throughout the party’s history. But what does equality actually mean today and does the pursuit of it still matter? For Barbara Roche, equality is one of the ‘touchstones of the Labour movement’. During a time of political apathy and dealignment, she argues, it’s important for the party to constantly reconnect with its values. The struggle for equality is a battle which can get our activists onto the doorsteps and our voters to the polls. For Roche, however, equality must be more than simply equal opportunity. She quotes Tawney’s dictum that equality should be ‘a fresh start and an open road’. Aside from the moral case for equality (do we really believe that people should have only one chance in life?), Roche believes that equality of opportunity still threatens large-scale inequalities with resultant damage to the nation’s social fabric.

The struggle for equality, social justice and equal opportunities for all, argues Peter Mandelson, is both best expressed, and only achievable, in a European context. The centre-left’s values of solidarity and community are, after all, fundamentally European: ‘It is why I believe that you can be pro-European and not of the centre-left in today’s world but you cannot be of the centre-left and not committed to Britain playing its full part in Europe,’ he suggests.

Tackling poverty and inequality, creating and reviving our public services, building an economy which places a premium on prosperity for all, questions of foreign policy – these are the issues which have driven the Labour party, its members and supporters for decades. They are, in reality, the reasons why people join and vote for the Labour party. However, as Douglas
Alexander argues in his essay, the Labour movement has sometimes failed to see democracy in terms other than the instrumental: “Sometimes in the past we too often have undervalued democracy by seeing it solely as a hurdle to be jumped to gain control of the state – and from there to make socialism “happen”.” As Alexander suggests, though, democracy needs to be seen for its “intrinsic worth” – for its very practical demonstration of our belief in equality – and, as he powerfully demonstrates, building a progressive sense of citizenship is inseparable from Labour’s search for social justice. “At the heart of our interest in political institutions must therefore be our belief that they are the building block, not the stumbling block, to equality,” he suggests.

Dismantling the Tory state

Democratic renewal is fundamental to Labour’s future success; without it, our ability to eliminate the progressive deficit in other areas will be seriously impaired. However, this will entail a far more serious challenge to the remnants of what Marquand has labeled “the Tory state” than we have hitherto undertaken. As Marquand has suggested, “the British state is, of its very essence, a Tory state. The values embodied in and transmitted by its central influence are Tory values” (Marquand, 2001). Devolution to Scotland and Wales and the Human Rights Act represent a massive step forward but some of the key characteristics of the Tory state – its over-centralisation, winner takes all voting system, undemocratic institutions (like the House of Lords) and innate secrecy (despite the somewhat tepid freedom of information legislation) remain.

Labour has, for instance, only just begun to reverse the “Whitehall knows best”, centralizing tendency which, to a degree, the government not only continued but compounded during its first term in office. Although motivated by a genuine desire to achieve results quickly, the adoption of this approach showed Labour not to be “new” enough. Labour’s postwar statist approach to government has at times appeared antithetical towards the notion of liberty, leaving the political playing field free for the New Right to present its own market-centric, highly individualistic notion of freedom. A freedom, moreover, which was essentially negative, rather than the left’s more positive definition. Even revisionist thinkers such as Tony Coshand did not question the limitations of the over-centralised state and the monolithic, top down organization of the public sector.

As both Neal Lawson and Peter Hain have argued, however, the statist strand is not the only one in Labour’s history. The liberal strain of socialism, libertarian rather than statist in its outlook, and guided by the principles
of localism, devolution, and mutualism, has at its core the concept that self-government and active engagement should rest at the heart of the left’s approach. Indeed, this tradition — pioneered by the likes of Tom Paine, the Levellers, Robert Owen, the Chartists, and the early trade union movement — precedes the statist tradition. Stuart White, too, has demonstrated how the egalitarian project split during the nineteenth century between two camps over means: ‘collectivists’ like the Webbs (who wished to abolish inequality by suppressing the market and creating the public ownership of the means of production) and the ‘mutualists’ who were more skeptical about public ownership and looked to structural reforms and collective self-help (trade unions, friendly societies, co-operativism) (White).

While the authors of the new Clause IV can hardly be labeled closet collectivists, the government has only slowly recognized the need not simply to move away from centralization but also to connect its policies to the liberal socialist tradition. Foundation hospitals, for instance, may still not be nearly open enough to local control. However, the government only tentatively and unconvincingly argued its case on this terrain.

Participation and choice must also be at the heart of Labour’s public services agenda. As the Prime Minister suggested in his Fabian Society lecture, the public want ‘the consumer power of the private sector but the values of the public sector’. This is a crucial distinction that the government needs to work harder to spell out. Thatcherism’s relentless attempts to push the marketisation of Britain’s public services was only able to gain ground thanks to the manner in which it answered the public’s desire to have some control over, and accountability from, services which were delivered in their name with only a nod to the idea of responsiveness.

In reality, of course, marketisation has done little to give people greater control over public services and it is also rests entirely on the premise that the interests of those who deliver and those who use public services are inherently in conflict. Only market mechanisms can allow the taxpayer to exert some control over the self-interested and self-serving individuals who work in the public sector. Of course, the interests of producers and consumers are not always the same. However, the right’s attitude completely ignores the notion of our common citizenship and the consequent public service ethos which is quite different from that found in the private sector, driven as it is by the need to make a profit for share holders. The public recognize the existence of this ethos in their dealings with teachers, doctors and nurses, policemen and social workers. Much of the fear about the government’s reform agenda arises, in fact, from a concern it will damage that ethos. The task for the government is, therefore, to show that it wants
primarily to enhance and deepen the public service ethos so that it more readily answers today’s demands for accountability and choice.

At the heart of Labour’s current difficulties – and the greatest risk to its attempt to close the progressive deficit – is the sense that the party lacks a clear vision. As Peter Hain argues in his conclusion to this pamphlet, despite Labour’s achievements, the government lacks ‘ideological clarity’, too often appearing reluctant to make a clear intellectual case for state activity. The vacuum has been filled with a managerial style which fails to inspire our core supporters and leads to confusion amongst many voters about the government’s overall purpose. Hain believes that managerialism opens up the possibility that the electorate may end up viewing the election of a Tory government as simply swapping one group of managers for another.

There is another danger, too. As Marquand (1998) argues, Tony Blair successfully assembled a new electoral coalition in 1997. Ensuring it survives presents an altogether different challenge, however. He notes that the coalition is comparable to three others over the past 120 years, each precipitated by a crisis in the ranks of their opponents – the Unionist coalition of Salisbury and Joseph Chamberlain which exploited the Liberal split over Irish home rule; the old Labour coalition which followed the collapse of the Liberal party; and the Thatcher coalition which grew out of the ‘crisis of revisionist social democracy which split Callaghan’s Labour party’. Each of these coalitions was then cemented by ‘a mixture of ideology and myth that created a common identity’. Six years after it was elected, it is not too late for Labour to begin presenting a much sharper vision of what we are about. Closing the progressive deficit – placing democratic renewal at the centre of our agenda; narrowing the equality gap; creating public services which have accountability and choice at their core; building prosperity for all; and placing Britain truly at the heart of Europe – is not a bad summary of the party’s mission.

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ROBERT PHILPOT is director of Progress.
The importance of being earners

“Our goal is prosperity for all. We believe that all our citizens, wherever they live in the country, should have the opportunity, if they are able to, to work and to improve their living standards. To achieve that aspiration we believe that we must combine the promotion of economic efficiency with the pursuit of social justice.” Prosperity for All, National Policy Forum.

A successful economy is a prerequisite for sustaining a progressive agenda. It provides the means to achieve prosperity for all: raising living standards, increasing opportunity, reducing poverty and improving people’s quality of life. And it is the key to Labour winning a third term in government, and hence pursuing its broader progressive aims.

Rightly, Labour’s central economic objective is to achieve high and stable levels of growth and employment. Stability gives workers increased security and provides the foundations for people, companies and government to invest for the long term. High employment is central to increasing opportunity and reducing poverty. Rapid economic growth raises living standards, increases wages, boosts companies’ profits and helps us afford investment in public services. Sustaining that growth requires continued increases in productivity.

So far, the government has managed the economy well. The economy has expanded steadily every year. Unemployment has fallen below a million, while inflation and interest rates have fallen to 40-year lows. This favourable economic climate has allowed the government to finance a big increase in public spending with only modest tax rises.

But the government faces two big challenges ahead. The first is to entrench economic stability. The stability of headline growth and inflation masks worrying economic imbalances an atrophying manufacturing sector, record high consumer debt and a swelling trade deficit. An until-recently overvalued pound has stunted exports and, together with the house-price boom, allowed consumers to spend beyond their means for seven years in a row. This is clearly unsustainable.

Ensuring that government spending and exports prop up growth as
consumers finally retrench will provide a stringent test of the government's policy framework. In particular, while Britain remains outside the euro, the economy's hard-won stability will be at the mercy of the vagaries of the volatile pound.

The second challenge is to improve the economy's long-term performance. Although recession has so far been avoided, the economy's trend growth rate has not increased. Productivity levels and growth remain poor. Investment is still pitifully low, with private companies too focused on short-term financial returns and public expenditure on infrastructure, notably transport, neglected. These weaknesses jeopardise the government's ability to sustain its progressive agenda. Without faster growth, higher public spending will require politically painful tax hikes. Poverty reduction will have to rely more on potentially problematic redistribution than on a general rise in living standards. Improving the economy's long-term performance is a priority. It is a precondition for achieving the government's wider social aims.

The stakes could not be higher. New Labour's continued electoral success depends to a large extent on its reputation for economic competence and its ability to improve public services. A return to boom and bust, or a failure to raise the economy's long-term growth rate, would not only dent the government's economic aims of high and stable levels of growth and employment. It would also threaten its political survival – and hence the broader progressive agenda.

The record so far: luck and skill

Britain's economy has grown in each of the six years that Labour has been in power. This stability stands in sharp contrast to Britain's history of accentuated boom and bust, not least the deep Thatcher recession of the early 1980s and the prolonged Major bust of the early 1990s.

In part, of course, Gordon Brown has been lucky. His shift from fiscal tightness in his first two years as Chancellor (when he stuck to Conservative spending plans) to fiscal stimulus (as he announced big increases in spending on health and education) coincided with, and thus helped limit, a slowdown in the economy. But he also deserves full credit for the monetary and fiscal framework that he has introduced. The independence of the Bank of England and the Chancellor's fiscal rules have bolstered the credibility of the government's commitment to economic stability and thus made it easier to achieve.

Labour's record on jobs is even more impressive. A million and a half
extra jobs have been created, while average wages have risen by eighteen percent after inflation since 1997. The number of people claiming unemployment benefit has fallen below one million. According to the more comprehensive ILO count, over half a million fewer people are out of a job than when Labour took office. The unemployment rate (on the ILO basis) has fallen to 5.1 percent in the three months to April 2003 from 7.2 percent in the three months to May 1997. Over the six years of Tony Blair’s premiership, the unemployment rate has averaged 5.7 percent, compared with 9.2 percent in the last term of the Major government. In 1992, Britain’s jobless rate was higher than both the EU average and that of the US; now it is lower than both of theirs.

This glowing employment record is partly a result of steady economic growth, partly thanks to the government’s labour-market policies. Active labour-market policies, such as the New Deal and a range of new tax credits, are helping and encouraging people back to work. Long-term unemployment has fallen from 39 percent of total unemployment in 1997 to 21 percent in October 2002. Unemployment has fallen in every region; the fall in the north-east, which had the highest jobless rate in 1998, has been particularly large.

Labour’s inflation record is also enviable. The surprise – and, at the time, controversial – decision to grant the Bank of England independence just after the election in 1997 has been richly rewarded. Clearly, central bank independence involves a trade-off: a loss of day-to-day democratic control in return, it is hoped, for greater inflation-fighting credibility. It is a bargain worth striking if there is a consensus that inflation is a bad thing – and, given that high inflation reduces economic growth and harms the poor more than the rich, progressives certainly ought to think so – and independent central bankers can indeed deliver the goods. So far, they have: underlying inflation has remained within the official target range of 2.5 percent (plus or minus one percent) since May 1997. It has averaged a mere 2.4 percent in the six years that Labour has been in office, compared with 3 percent in the last term of the Major government and a whopping 9.5 percent in the year to October 1990.

Low inflation has allowed the Bank of England to keep interest rates low. At 3.75 percent in July 2003, UK interest rates are at their lowest since the 1950s. Base rates peaked under Labour at 7.5 percent in 1998. This compares with a high of 15 percent on Black Wednesday in 1992. By historical standards, then, Labour’s record is outstanding. But the cost of borrowing in Britain remains far higher than in the eurozone and the
U.S. not only now but over the economic cycle as a whole. Euro interest rates are currently a mere two percent, U.S. ones only one percent. British interest rates have consistently remained above the eurozone’s (and before 1999, Germany’s) throughout Labour’s time in office. Economic growth, low unemployment, low inflation and low interest rates are desirable aims in themselves. But they have also made possible a large increase in public spending, focused on health and education. Steady economic growth has buoyed tax receipts; falling joblessness has curbed social security spending; fiscal restraint has reduced the burden of debt interest payments and increased taxes and borrowing have filled the remaining gap. Credit must be paid to the Chancellor’s fiscal framework, which has so far allowed the government to increase its borrowing without spooking the markets. This not only allows the government to keep its interest costs down, it also limits the drag on economic growth from higher long-term interest rates. Yet the positive impact of the Chancellor’s rules rest to a large extent on trust in his ability and desire to maintain sound public finances. Were this to slip – as it might if budget deficits are again revised up over the next year – this virtuous circle could rapidly turn vicious.

The challenges ahead

The immediate task for the government is to entrench economic stability. There is a significant risk that the economy could get blown off course by the combination of a fragile world economy and an unbalanced domestic one. The slowing of GDP growth – to a mere 0.1 percent in the first three months of 2003, scarcely better than the eurozone’s stagnation – could easily turn into outright recession. Propping up growth are the government’s huge increase in public spending and a rise in exports on the back of a falling pound. However, concerns about a potential decline in sterling have prevented the Bank of England from lowering interest rates further to boost consumer spending, which may be faltering as the housing boom fizzes out and consumers begin to fret about the mountain of debt they have taken on. Were sterling to collapse, the Bank of England would be forced to jack up interest rates to curb inflation. If it rebounds, the economic imbalances will be exacerbated, storing up bigger problems ahead. And if markets were to lose confidence in the Chancellor’s commitment to fiscal prudence, they could bid up long-term interest rates, potentially driving the economy into recession.
The lesson is clear. The fortunes of the economy and the Labour government are, yet again, in the hands of the currency markets. For all the improvements in Britain's monetary and fiscal framework, decisions about interest rates and the mix of tax and spending hinge crucially on the whims and passions of foreign-exchange dealers.

The solution, which goes with the grain of Labour's position as a pro-European party, is to join the euro. Until Britain does so, the costs of a volatile currency and the risks of an inflationary plunge or a choking rebound will always be with us. The 'safe' option of sticking with sterling through turbulent times could have a huge price: recession, higher interest rates, job losses, tax rises, public spending cuts. This is not idle scaremongering. As even Roger Bootle, a leading anti-European economist, remarked recently: 'The economic history of Britain suggests that when the economy is in trouble it is usually associated, in some way or other, with the exchange rate.' Only euro entry can lock in the right rate for good – and banish the spectre of Black Wednesday forever.

In the medium term, the priority is to raise the economy's long-term growth rate. GDP growth has averaged 2.6 percent since 1997. That is a significant achievement, but not an outstanding one. Over the same period, GDP growth averaged 2.4 percent in the European Union and 3.2 percent in the United States. GDP growth also averaged 2.6 percent in the last term of the Major government (1992-6).

Gordon Brown has yet to make good on his priority for the second term: raising Britain's abysmal productivity performance. In 2002, GDP per hour worked – the hourly output of the typical British worker – was not only eighteen percent less than the productivity of the typical American. It was also less than in twelve of the fifteen EU countries. French workers are 32 percent more productive than their British counterparts; German ones 24 percent more. Only Spanish, Portuguese and Greek workers are less productive.

Britons are also poorer – as measured by GDP per person adjusted for purchasing power – than Americans and than all EU citizens bar the Spaniards, Portuguese and Greeks (although the gap with Europe is much smaller because Britons tend to work longer hours and a bigger share of the population is employed). Americans are 38 percent richer than us, the Irish 23 percent, the Germans three percent, the French only fractionally so.

For sure, this gap cannot be blamed on the government. British productivity fell behind most of Europe's after we failed to join the Common Market at its outset in 1958 and, despite the reforms of the
Thatcher years, the gap has scarcely narrowed since. But Gordon Brown has so far failed to raise British productivity growth and thus start to close the gap. Indeed, labour productivity growth has slumped from an already low 1.7 percent a year in 1995-2000 to a mere one percent a year in 2000-02. This compares with two percent and 1.6 percent respectively in the US, 1.9 and 1.2 percent in Germany and 1.3 and 2.4 percent in France.

Closing the gap

Closing the productivity gap, and hence increasing wages, living standards and the ability to fund public spending, requires a combination of three things: improving workers’ skills, higher capital investment and greater innovation. The government has already gone a long way to improving workers’ skills by increasing access to universities, for instance, as well as through the government’s education reforms. But much more effort is needed, notably in improving vocational and technical skills.

Crucial to improving Britain’s productivity performance is higher capital investment. The UK’s capital stock per hour worked is 25 percent lower than the US’s, 32 percent lower than Germany’s and 60 percent lower than France’s. To close this gap the British economy must do more than match investment rates in continental Europe and the US: it must exceed them. Yet private business investment in the UK was only fifteen percent of GDP in 2001, the lowest rate in the EU.

Greater macroeconomic stability should, in time, encourage higher investment. But academic studies concur that the volatile pound continues to deter investment, as, arguably, does industry’s focus on short-term financial returns rather than long-term growth. Moreover, despite the government’s commitment to make good for decades of public under-investment, public investment in Britain is still half the EU average. It averaged 1.15 percent of GDP in 1998-2001, compared with 2.3 percent in the EU as a whole, and far less than the 1.9 percent achieved in 1991-95. Britain’s poor infrastructure – notably our third-rate rail and road network – is now arguably as big a drag on growth as Germany’s outdated labour and product market regulations are on its economy.

Faster innovation is largely a matter for the private sector. But the government can do its bit to help. First, it can do more to encourage research and development. Public R&D spending, at less than 0.6
percent of GDP, is well below the 0.7 to 0.8 percent recorded in France and Germany. Second, it can enforce tougher measures to increase competition. The granting of independence to the Competition Commission and the toughening of competition law are big steps in the right direction.

Third, the government can increase the economy’s openness to trade, which increases competitive pressures on domestic firms and forces exporters to meet international standards. Britain’s economy is relatively open to international trade, with the notable exception of farming, where the EU’s Common Agricultural Policy shields British farmers from foreign competition. But it is less open than France’s or Germany’s. Since the euro’s launch, their trade with other EU members has soared as a share of GDP, while Britain’s has stagnated. Completing the Doha round of world trade talks at the World Trade Organisation by its end-of-2004 deadline – which will require root-and-branch reform of the CAP – would also be a big boost.

Fourth, the government can encourage foreign direct investment. Inward investment is particularly important for Britain. Foreign-owned companies account for 40 percent of our manufacturing investment. Research by the National Institute of Economic and Social Research shows that foreign firms are typically five to fifteen percent more productive than domestic firms. Moreover, they benefit the economy as a whole because the new technologies and skills they bring spill over to other firms and they increase the competitive pressures on domestic firms. The National Institute calculates that a third of recent productivity growth, on which companies’ ability to pay higher wages depends, has come from foreign investment.

Britain has many attractions as a location for foreign investment, among them a favourable business climate, the English language, and EU membership. But set against those advantages are our poor infrastructure and self-exclusion from the euro. Since the euro’s launch, Britain’s share of foreign investment in the EU has collapsed – from 28 percent in 1998 to eight percent in 2002, according to the latest OECD figures.

Towards stability

Labour has so far managed the economy more successfully than any of its predecessors. But it cannot afford to rest on its laurels. It would be folly – despite the government’s economic reforms – to assume that sterling crises, or boom and bust, are a thing of the past. If the
government is to entrench economic stability, it should join the euro as soon as possible.

Signing up to Europe's common currency would also go a long way to boosting Britain's poor productivity performance. According to the Treasury's own (conservative) estimates, joining the euro could boost economic growth by 0.3 percentage points a year for 30 years. There is nothing in economic theory to suggest that such gains from increased trade are conditional on Britain's economy having converged with the eurozone's - and so Britain is missing out on a tantalising prize by delaying its euro entry.

Other reforms, too, are needed if Britain is to close the productivity gap with continental Europe and America. In particular, more needs to be done to improve workers' skills, boost capital investment and encourage innovation. The government needs to make good on its pledge to increase public investment, notably in transport infrastructure. And it must do its utmost to encourage the EU to make the concessions needed to conclude the WTO's Doha round. It is a tall order - but Labour has to be bold if it is to achieve prosperity for all.

PHILIPPE LEGRAIN is chief economist at Britain in Europe.
Public service matters

Public services must always be at the heart of Labour’s policy and its vision for Britain. They embody so many of our values – putting solidarity, equal treatment and general decency above almost anything else. And they are the practical way of achieving so much of what we want, ranging from traditional values of social justice and economic opportunity to more New Labour elements like efficiency and entrepreneurialism.

The progress we have made in this area since 1997 is therefore a crucial measure of how we are doing and our failures give us a clear signal of how far we still have to travel.

Why are public services so crucial?

There are a number of reasons why public services are part and parcel of any progressive agenda. Being driven by values rather than profit, they are a collective oasis in a predominantly market economy. At a technocratic level, the need for such services arises because markets and the pursuit of profit, left entirely to themselves, will not produce the services that society needs and citizens want. Even more important, however, is that public services are key to delivering equality and redistribution. Analysis of the worth of public sector benefits to those on different sorts of income show that, as a proportion of post-tax income, public sector benefits are much more important to the poorest quintile of households (being worth almost as much again as those households’ total post-tax income) than any other group (21 percent, for instance, for the 3rd quintile) (Lakin 2003, Table 10).

Thus in themselves, public services are an important tool of redistribution that is not often noticed – and in reality things go further than these sorts of figures illustrate. For without collectively funded public services in a number of areas, poorer people would simply have to make do without the service. Public services are also an enabling force. The possibilities they offer – especially for those on lower incomes – for better communities, improved education and better health are the springboard for people to improve their own lives and those of their families (Corry 1997).

And, perhaps a little ironically, public services underpin our drive for wealth creation, not just wealth distribution. Good public services deliver infrastructure, a strong science and innovation base, skills, social capital and social cohesion. Thus they underpin successful private enterprise, boosting
productivity as well as profitability.

It is clear, then, that the left must be in favour of public services and must make them work. But these arguments say nothing about how such services should be delivered. We are left with a pragmatic search for answers.

**Progress under Labour**

On coming to office Labour inherited a difficult situation in public services. The previous eighteen years of Conservative rule (and before) saw a severe lack of adequate funding. Overall public sector net investment was down to just 0.6 percent of GDP, the lowest level for over a decade (HMT 2003). Furthermore, the Conservatives had not tried that hard to reform public services. They had certainly privatised many and forced outsourcing in local government. Some important changes (league tables and Ofsted) came in in education and some experiments occurred in health. The much maligned Citizens' Charter at least tried to get a customer focus into the public services. But the hankering for privatisation meant that where reforms were introduced they focused almost exclusively on bringing in market type mechanisms and left out all the other things needed to help change occur.

So for a reform-minded new Labour government committed to making public services work, there was much to do. Nearly half of eleven year-olds failed to reach expected standards in English and Maths while over 20 percent of five, six and seven year-olds were in classes of over 30. One million people were on hospital waiting lists and many hospitals were in urgent need of repair. During the Conservatives' term in office, crime had doubled and the number of convictions had fallen by a third. There was an enormous backlog of repair needed to bring social housing up to a decent standard, and homelessness had nearly doubled. Meanwhile, rate capping and other cuts in finance for local government had bitten into provision for all sorts of services - from home helps and libraries to parks and local environment. Morale was poor and direction was all over the place. But more significantly, public services had hardly begun to catch up with the demands of the later 20th-century 'citizen-consumer' - let alone those of the 21st century.

Labour was slow off the mark on public service reform after 1997. In order to establish our economic competence we had plans ready to go in a number of economic areas, but had little even worked out in public services. This is not to deny that there have been good reforms, or that
there have been substantial and noticeable improvements in services. Results at primary school level have risen strongly as changes in the curriculum, along with the nationally guided and supported literacy and numeracy hour boosted performance. We have smaller class sizes, some 25,000 more teachers and much-needed renovation and new building.

Money has been going into health in vast amounts, resulting in almost 40,000 more nurses and 5,000 more consultants, and waiting times are down. There has been an overall reduction in crime of 25 percent since 1997, according to the British Crime Survey (Home Office 2003). In transport Labour did try to go for real reform, with the original Ten Year Plan, but just did not get it right. It shows how hard it is to work with a public service where outcomes are influenced so heavily by things like personal behaviour (desire to drive) and by private sector activity – not least because the whole train system was left in private, equity-driven, hands, a problem that the government started to address by turning Railtrack into Network Rail (see Corry 2003).

Thinking under Labour: why haven’t we been getting it right?

So the record on public service reform, at least until recently, has been ‘useful change’ but not change that really deserves the title of ‘transforming’ (see Corry, Emmerich and Stoker 2003). Public services have not been made more responsive, more personalised and more customer-driven. Some do not think these are aims we should aspire to. For them, uniform, standardised services are the mark of the welfare state. And talk of customer focus (often basic stuff such as answering enquiries promptly and letting patients book appointment times that suit them) is seen as an affront to a richer, citizen-focused approach. But for those of us who have a broader, long-term vision, we must think through why we have, so far, fallen short.

There is no doubt that public services and their reform is inherently difficult, especially for those on the left who want to improve and modernise, rather than weaken and destroy them. First, the public always demands more and better services for their taxes. Yet it is conservative when it comes to change: often the public is proud and defensive of existing institutions that are no longer delivering. Second, costs in the public sector usually go up faster than general costs in the private sector, not least because public services have high labour costs, which rise over time, while (real) capital costs tend to fall with new technology and innovation. There is an added problem that it is often hard to avoid substantial parts of any extra financial resources being gobbled up by
unfocused wage increases.

These problems are tough and real, and it did not help that we had not fully confronted them in the long years in opposition. Instead, there has been a tendency to urge a return to some golden age of public services.

In the past, when absolute living standards for millions were very low, income distributions were generally less spread, and the 'opting out' middle class was smaller, delivering public services was undoubtedly simpler. To some extent, one could take a view as to what the public needed and how to achieve it, and roll out that blueprint across the country. Provision of a universal and uniform service brought together a fragmented system and raised standards enormously. It reflected the private market of the time where variety and choice was – in retrospect – pretty limited.

Such a system of public service delivery had a number of advantages:

The very lack of change or competition meant that some sort of public sector ethos could emerge. It gave citizens a promise (rarely kept) that the services would be the same wherever they lived. On the whole it could be relatively cheap as costs (especially labour) could be kept down.

The trouble is that the manifold advantages of this particular, pragmatic system became entrenched into the left mindset as what public services must be about and how they must always be delivered. The real goals of public services got lost. So, for instance, it became accepted that uniform, centrally-guided service delivery was the best way to ensure no post-code lottery in services – even though the evidence increasingly showed that it had failed to achieve this.

Much of the need for change had been obvious for many years to many modernisers. Of course, there would have to be more money. But something else was required. Decent public services would need to absorb an increasing share of national income, and people on the left worried about the electoral consequences of tax rises. They worried that the structure of public services was producing a two-tier system and that those on lower incomes or in deprived neighbourhoods almost always seemed to be getting the worst deal. They also worried that public services might be just too inflexible for modern citizen-consumers who wanted a more personalised approach, not the one-size-fits-all tradition of many post-1945 public services. How could we modernise them to keep them up to date with what citizens wanted and deserved in the early 21st century?

Between 1992 and 1997 the left began to explore ideas including quasi-markets, to drive efficiency and make services more customer-focused, and the use of the private sector to help deliver services. Although the rationale behind these ideas was not always great (for example, getting
spending off balance sheets) they were ultimately about trying to empower users, to make services more personalised, to ensure services delivered for those who really needed them and to drive more innovation, efficiency, and responsiveness into the system.

But here lies another problem for those pursuing these agendas: we have given up too much of this language to the right. It is an unfortunate fact that many of the tools we suggest can sound to the suspicious like close cousins of right-wing policy instruments. But tools are only tools. The key is to what purpose they are used. The Conservative agenda is to use the tools to hollow out public services, to encourage people out of them, to make market forces drive them. Labour's agenda is totally different: it is to make public services more personalised and more responsive to what citizens want.

We also have to understand that to achieve these aims, the behaviour of public sector managers and their staff is absolutely crucial. They are, of course, influenced by the incentives, constraints and opportunities that they face. One element of this is financial – the way they are rewarded and the way citizens can shape the financing that comes their way. Another crucial element is the relationship providers have with the citizens they serve, the way the latter can express their desires and the freedoms the providers have to respond. That is why concepts like choice, voice and new localism, when used to target progressive aims and values, must be part of a Labour agenda. To say that they are rightwing concepts and that the left is against choice would be a mistake as well as a gift to the right.

But the truth is that very little of this agenda had really been thought through by the time of the 1997 election. Radical thinking on public services was not welcomed politically, not least because it seemed to raise issues about taxation – which were to be studiously avoided in that election. But the result was that neither the party, nor the trade unions, nor indeed the country were involved in debates about the necessity of major changes in our public services.

Once in power, but not armed with any great theories of improvement, Labour was very much taken by a command and control approach to improving public services. Buoyed by the quick, cheap and obvious early success of the numeracy and literacy hour, Labour began to think that all that was needed was for Whitehall to shape targets, impose them on local managers (or councils), have numerous performance indicators and inspectors to watch what happened, and punish those who failed to meet them. As analysis suggests, this system cannot deliver truly modern, responsive, or even efficient, public services (Corry and Stoker 2002).
What next?

So where should we head next? First, we should accept that our aim must be to make public services more personalised and more responsive and – ideally – to make them evolve in line with the wishes of those who use them. And as we do that, we will need to make sure that we avoid, as far as we can, anything that leads to two-tier services and to any threat to the trust and accountability that must surround public services.

Second, we must embrace the ideas lying behind the concept of new localism (Corry and Stoker 2002). In particular, this implies decentralisation of decision making down to local managers and – most importantly – down to local authorities, as the democratically elected representatives of the community. Such an approach allows more diversity, so that each area’s problems can be tackled in the way that suits the community. It leads to innovation – which can then spread – and allows local actors to look out to their community rather than up to a central body (Whitehall) that is setting its targets and rewards. The corollary of this is fewer centrally set targets, and much less reliance on the tools of command and control.

Third, we must get used to trusting people a bit more. On one level, this means giving the consumer-citizen as much information as we can and letting them have a say in what then happens. This can be done through individual say as well as via choice or voice mechanisms (see Arend et al 2003). But equally, we must see if we cannot allow some sort of local democratic decision making or oversight into services previously run by Whitehall – while keeping a sharp eye on the need to join up democracy and decision making at local level, not least through the local authority. Closer involvement is not only good for democratic participation, but in areas like health and education, where the behaviour of the user is as crucial to the outcome as the behaviour of the provider, it may well encourage such co-production. While getting the details right is very important, this ought to be a natural territory for the left. It is remarkable that many still resist it even in principle.

Fourth, we must understand that in this new world of public services, the role of central government must change. Its job is not to focus on delivery itself but to create a system of financial flows, incentives and accountability that allow local managers and players to get on with their task. A relevant parallel is with the way the central state interacts with the private sector. Just as we allow a private sector company to act as it wants within a regulatory environment set by ministers and subject to the...
demands of its shareholders, so we should be looking to let local authorities act as they want within the regulatory framework necessary to stop systemic and intensive local dysfunction and subject to the demands of its electorate’ (Corry and Stoker 2002).

However, this is not to say that the centre cannot play a role in helping improve the outcomes we get in public services. It has a role in trying to understand why some schools, hospitals and police forces seem to do less well than others even where the conditions they face are similar. So, fifth, we need focused reform agendas for each of these main areas and we need to carry them out consistently, without adding initiative after initiative onto them or reversing them halfway. What does a focused reform agenda actually mean? Bringing together the best evidence we have as to what can drive the kind of improvement we want, talking to all relevant stakeholders about this and finding a way forward that most can agree on. Then it means implementing it by giving front line workers the tools, the support and the training to help carry it through.

Sixth, we should keep being pretty public/private neutral. Of course, there are very important issues about value for money, the public service ethos and quality of service. Hopefully, the recent deal to stop a two-tier workforce emerging in local authority contracted-out services will stop one of the most unpleasant abuses of PPPs. In some areas, PPPs will work and in others they will not. As Gordon Brown has recently argued, there may be areas where for good reasons we want to completely exclude them from being used. We should be pragmatic here. It was a bad mistake to suggest that PPPs and PFI were at the heart of the public service reform debate, misleading many into believing that the reform agenda was in some way really a code word for the privatisation of our public services. We must not let this small part of the agenda divert us from the real tasks ahead.

Finally, and perhaps most importantly, we must be better in how we go about pursuing such change agendas. We must do everything we can to bring along the party and the workforce. Getting into the mindset that they are obstacles to change is completely unhelpful, and it is also wrong. At the moment, a number of different concepts swirl about in the public service reform agenda. These include decentralisation, choice, the use of the private sector, and the use of not-for-profits. Profound misunderstandings or suspicions arise as parts of the party fear that decentralising – which most would support - is just a precursor to some sort of privatisation or unequal system. That is why we need to explain what we are doing and why we are doing it. We need to rationalise it...
in terms of what all public sector workers and Labour members care about – improving the service to the user.

Plenty of evidence from change in the public sector (eg Audit Commission 2002) shows it works best where the workforce is on board. And many of the best examples of public service modernisation have roots in the insights, suggestions and ideas that come from the workforce itself. This is the way to gain support for modernisation rather than letting change be seen as a macho taking-on of vested interests.

These are all tough challenges, not least the last of them – given that there is now great distrust among public sector professionals, managers and workforce. But it is surely what most of us got involved in politics to do in the first place. We cannot duck the challenge.

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DAN CORRY is director of the New Local Government Network. He was a special adviser at DTI 1997-2002 and at DTLR 2001-2002.
The Labour party has just entered unchartered territory with the longest continual Labour government in history. Such a milestone has naturally prompted comparisons with the 1945 government of Clement Attlee. A common but mistaken perception of this government compared to 1945 is to denigrate the poverty of its ambition and to suggest a desire to manage rather than to effect change. Some would argue that we are not a democratic socialist government, despite our party’s continuing commitment in Clause IV of its constitution. This contrasts with Herbert Morrison’s oft quoted dictum in his 1948 Labour party conference speech, that ‘socialism is what a Labour government does’.

Can we credibly say such a thing today? I believe we can if the government demonstrates a visible embrace of the core principles which animate the Labour movement and put them into practice. A story and a mission told in such terms can both be bold and genuinely popular.

One of the key strands of this story must be our commitment to equality and tackling social exclusion. This means developing a new language to bring equality back from the sidelines and accepting that we will fail in our attempt to reform public services if the principle of equality is not placed at the forefront.

None of us would contest that this year has been the most difficult for Labour since 1997. In that year, capturing the controls of government was given the highest priority but understandably six years on, the question is ‘what next’? We can only answer that by asking another more profound question: ‘why Labour again’? In times of increasing political apathy, constant re-connection with our values is essential. To get the activist onto the doorstep or our voters to the polls, something has to get the blood rushing. A message drowned out in triangulated qualifications will not work. Some may argue that activists and the core vote do not count; it is Middle England where future victories lay. Such a view would now be naïve. Designing our policies simply with regard to capturing those centre voters cannot sustain our government forever. It ignores the reality of voter dealignment. For years it was assumed that our natural supporters would always vote Labour. However recent experiences in Scotland and most memorably in Wyre Forest indicate that voters will flirt with independents and fringe parties with increasing regularity. Yet potentially our biggest problem is that
traditional Labour voters will not turn out at all. If 20 percent of our 1997 voters refuse to participate at the next election, we would lose seats, regardless of the votes of Middle England waverers. Making it clear ‘why Labour’ for a third time is therefore crucial in the next two years.

The touchstones of the Labour movement are what ignite its passion; properly understood and advocated, equality is such a touchstone – a galvanising theme for our third term which is also essential for the achievement of productivity, competitiveness and public service reform.

‘A fresh start and an open road’

Equality has for too long been denigrated by the right as a negative value – drab, dreary uniformity created and policed by vast Orwellian bureaucracies. Such a view has been allowed to predominate, with the left often on the defensive. Yet we have a range of arguments that can be deployed. The basic socialist argument for equality has two key planks: each person is of equal worth and there is such a thing as society. The challenge for us is to create equality at both the individual and social level and to be sophisticated in handling the potential conflict between the two. As Tawney notes ‘equality implies the deliberate acceptance of social restraints upon individual expansion’. What we need to agree on is where those restraints should fall.

Some have argued that the only restraints that should apply are to achieve equality of opportunity. We should not accept this limited conception of equality, despite its superficial attraction. How can we allow society to wash its hands of people by saying they had their one ‘opportunity’ in life to make a go of it and that any resulting inequalities are entirely justified? The paths that we take through life are inevitably linked to resources and circumstances. It is still evident that those who make the most of their ‘equal’ chances are frequently those with the resources to push the hardest, be it from purchasing home tuition through to house deposits. The pattern of wealth from generation to generation is still a major issue.

Equality of opportunity fails us as democratic socialists because it is a radically individual conception of equality. There needs to be a good supply of fuel in addition to Tawney’s dictum of equality as ‘a fresh start and an open road’. This in essence is Tony Crosland’s insight in The Future of Socialism. He argues for a much wider definition of equality. ‘Equality of opportunity and social mobility, though they lead to the
most admirable distribution of intelligence, are not enough. The compelling task for equality is to tackle ‘the injustice of large inequalities, and the collective discontents which come from too great a dispersion of rewards’. For Crosland, abandoning many to their fate based merely on intelligence rather than hereditary status misses the point – it does not tackle the social consequences of vast inequality. Tackling inequality is socialist because it promotes ‘security, social responsibility and co-operation’. In that respect, such an ethical basis holds today, even if the forms in which our inequalities manifest themselves have changed.

Focusing on equality does not divert us from other progressive values. In fact, because principles of equality are always expressed about other values, we assert them at the same time as we assert the claims of equality. For example, meaningful liberty can only come through addressing inequality, whether it is economic, racial or sexual. If we are to advance the cause of equality as a value for the 21st century, equality must be widely understood to be part of the mainstream. It has to go beyond both equality of opportunity and the distribution of economic resources. When we consider issues such as the lack of progress by some black and ethnic minority communities in the workplace or civil partnerships for same sex couples, the old language of economic or class-based equality cannot express the complexities of the injustices that need to be resolved.

So what is the new language that can embrace the new forms of inequality? One example is the concept of social exclusion, first discussed in the 1970s by researchers in France. This concept gives us a way of tackling the problems of inequality, deprivation and poverty in a holistic manner. Exclusion is not only about tackling economic poverty, vital though that is – it is also about the barriers to social participation. Lack of access to decent standards of education and healthcare and living in areas disproportionately affected by crime are all interrelated. It is impossible to tackle one strand without influencing the wider picture.

Social exclusion applies just as much at the ‘higher end’ of life. It occurs when certain groups in society use money to exclude themselves. The classic example could be a family living in a gated community, sending their children to private schools and using private healthcare. I would argue that both forms of social exclusion risk inequality for society as a whole. Without universal participation in quality public services, provision for those unable to afford alternatives will suffer. Research suggests that in schools children with middle-class attitudes
and aspirations constitute a resource for the rest and that society loses out when whole sections of the community are excluded because of the poverty of their expectations.

Through the perspective of social exclusion we now have a stronger understanding of the links between different forms of inequality. If you live in a low-income household in childhood, you are far more likely to be unemployed or disadvantaged later in life. If your parents do not have a job, then you too are more likely to have a period of unemployment. The cycle of child poverty, low expectations, poor educational attainment and poor health is all too familiar. Labour governments have always been dedicated to eradicating poverty but we must acknowledge that untargeted welfare has its limits. Our welfare policies must be an enabling rather than passive intervention.

New approaches

What have we managed to achieve since 1997? The government signalled a new approach with the creation of the Social Exclusion Unit as part of the Whitehall machinery. We’ve seen some real reductions in problems that the SEU’s work has targeted first, such as rough sleeping and teenage pregnancy. We have made good progress in tackling poverty. This April research indicated that the poorest families with children will be on average £2400 a year better off as a result of tax and benefit changes. Two new reports by the Policy Studies Institute published in August demonstrated that we have reduced severe hardship among low-income families by 40 percent in two years. Strong evidence emerges that one of the government’s greatest successes in enabling people to avoid the poverty trap is our tax credits policy.

In the personal sphere, the government has added to and strengthened equalities legislation. Specifically the Race Relations (Amendment) Act 2000 now compels public bodies to promote race equality and made a specific crime of racially aggravated offences. We have also equalised the age of consent for gay men, finally removed Section 28 and, through Article 13 of the EU, by the end of the year there will be protection for gay men and lesbians against employment discrimination.

Despite our advances, inequalities and social exclusion remain real issues. The smallest injustices still affect lives in a debilitating way. Our task is constantly to identify and eradicate these; our duty is to listen to the voices of the powerless. It is worth remembering that those who
suffer the greatest exclusion cannot shout loudly at us. Where do we start? Clearly we must continue to scrap all existing social and religious barriers that are sanctioned by the state. A pluralist and multi-cultural base to our state is essential in the long run. No one group should be allowed to impose their prejudices through law.

Our third term must do more than simply correct historic legacies. We must prioritise the rescue of any community falling victim to the spiralling descent of social exclusion - poor public services, higher levels of crime, low expectations, fewer jobs. In the poorest areas of Britain, just one job is created for every six in wealthier areas. We need to remove barriers to enterprise so that excluded people are truly able to help themselves. Labour must not be afraid to say that high levels of crime, anti-social behaviour and the fear of crime are detrimental to economic regeneration. A preoccupation of being outflanked by opportunist Liberal Democrats should not result in our ducking the tough measures that are often necessary to restore community confidence. There is also an imperative to improve mainstream services. History has shown us that job creation in a specific locality can only succeed if there are a well skilled workforce, quality public services, efficient transport links and a healthy environment.

Some elements of this holistic approach have already been acknowledged by the government. Others are problems that have only just emerged. One aspect that causes particular concern is the housing market. While prices of houses continue to rise, by definition the percentage of affordable homes for low-income families decreases. We could easily be creating inequalities for the future if the market remains as it is. For example, ‘first time buyers’ as a percentage of the market now represent the lowest proportion since records began. This poses a real issue for government as we are at risk of creating unsustainable communities. The rich may isolate themselves spectacularly while the rest have fewer options and longer journeys to work. Those within the public sector are at greatest risk. Already in London, teachers and nurses are priced out of the housing market. These key workers must have greater access to supplies of affordable housing stock in hot spot areas. Yet we must be wary of the old solution of simply concentrating the poorest and most vulnerable in one area via mass affordable housing. This tends to create heavy social exclusion problems of its own. Using planning policy to create a 50 percent affordable housing quota for all new build is one policy that could be quickly enacted.

Gross inequality at the workplace must be tackled. The notion that
exorbitant salaries and packages are required to attract senior workers is coming under fire as such policies generally reward the few and ignore the larger workforce. Shareholder and stakeholder review of such practices should be increased, with stronger powers to prevent rewards for failure. Certain groups within the workplace are still at a disadvantage. Women are still not receiving equal pay for equivalent jobs, 33 years after the Equal Pay Act. Women can lose out to the tune of £250,000 over the course of their working lives. The recent Strategy Unit report into Ethnic Minorities and the workplace (which I sponsored as a minister) demonstrated that Pakistanis, Bangladeshis and Black Caribbeans experience, on average, significantly higher unemployment and lower earnings than their white counterparts.

Greater geographical mobility and faster communications have created new manifestations of inequality. Differential access to computers or broadband internet are well understood to create an inequality between the information rich and the information poor. When we think back to our wider concept of equality, the cost of this is more than merely economic. The potential for a new spiral of social exclusion for these groups is high.

The right framework?

A critical starting point for this challenge is through evaluating the existing methods for tackling inequalities. The important question is do we have the right framework for intervention? At the moment we have a huge range of different delivery targets to tackle neighbourhood renewal which are masked by bureaucratic language. Instead of defining basic standards of public service delivery by using jargon such as ‘floor targets’ we should refine them and promote them as the social equivalent of the minimum wage.

Another key question is what should be done by Whitehall, what by local authorities and what by equality bodies themselves? By the end of 2006 we will have three new strands of equalities legislation covering belief, sexual orientation and age in relation to employment and vocational training. My experience here led me to argue for a new structure which would bring together the new strands with the existing institutions. A single equalities body is now imperative to provide the overall thrust that is needed to tackle inequalities. Such a body would provide advice and assistance to business and government and push the equalities agenda further into economic and social policy. This is not to
suggest it should not have a campaigning role, far from it. This body should be able to promote human rights in general and to pursue equality cases where there are human rights aspects. The legislation that would set up a single equalities body must be used to strengthen the duties on tackling inequalities within the public sector. There should be a duty on all public bodies to promote equality on the same basis as the Race Relations (Amendment) Act 2000. Goods and services should also become a legitimate target for equal treatment. It is wrong that travel companies should be allowed to discriminate against same-sex couples purchasing a holiday.

Labour party members should be proud to belong to a party with a strong tradition of pushing forward the equality agenda. The challenge now is to use this solid foundation to build a stronger economy and a fairer society. People who are economically disengaged often become socially disengaged, reinforcing the democratic deficit. Social and economic integration are inter-linked – we cannot have one without the other. The failure to use human potential to the full will become more damaging as labour markets become increasingly competitive and mobile. Our task is to ensure that all our children enjoy the same life chances, the same opportunities to succeed and the same right to live productive and fulfilled lives. That goal can be achieved if Labour puts social inclusion and equalities at the heart of its policy agenda.

BARBARA ROCHE is MP for Hornsey and Wood Green. She is a former minister for equalities and social exclusion issues.
Democracy challenge

"Democracy means the organization of society for the benefit and at the expense of everybody indiscriminately and not for the benefit of a privileged class." George Bernard Shaw.

When Tony Crosland wrote about democratic socialism in the 1950s, he argued from a starting point that socialists had always been motivated by a number of different aspirations: an abhorrence of poverty; a wider concern for social welfare; a belief in equality and the classless society; a rejection of competitive antagonism and an ideal of fraternity and co-operation; and protest against the inefficiency and waste of capitalism. The point of listing these again today is simply to demonstrate how Labour’s basic objectives have always been wider and more comprehensive than either the electoral goal of winning power or the ethical goal of defeating poverty. Indeed, the achievements of Labour in government bear testament to its recognition that only through acting on a range of issues will we achieve a more equal society.

In this chapter I want to discuss how this belief has been translated through our agenda of constitutional and democratic reform. Too often when the question of democratic or constitutional change has been discussed it has been seen as a matter of voting; as somehow an issue of electoral pragmatism rather than political principle. While many of us have worked willingly for years to develop our campaigning capacities, the truth remains that we contest elections not to change governments, but to change lives. Thus, we need to look beyond elections to the issue of whether in the past six years Labour can claim to have represented through its constitutional and democratic reforms those wider values of which Crosland wrote so eloquently.

I believe this is a test to which our work in the past six years answers admirably. Looking back at the democratic context of 1997 reveals a great deal about how much we have achieved and shows we should rightly be proud of Labour’s capability to engender democratic renewal. It is our progressive sense of citizenship that has driven these reforms as we seek a more socially just society it is the starting point for our view of the public realm. However, the democratic context in which we seek to do politics - in which we seek social justice - has changed over the course of our time in government. Recognising these changes, and the
dangers they pose to our vision of a more egalitarian society, is key to overcoming them. We must therefore make explicit the relationship of citizenship and participation to our shared goal of social justice, and so the basis of our agenda for the third term and beyond.

Democracy in 1997: the challenge then

All too often in politics we focus only on the future; on the challenges we face rather than the obstacles overcome. Yet, surveying the actions of Labour in government since 1997 reminds us how much the nation has changed. Then we had a parliament that contained more men named John than women and more members whose legitimacy sprang from their family inheritance than from electoral recommendation. Our structures of government showed scant regard for the needs of the differing nations that make up the UK and in councils across the land decision making was driven more by a concern for market values than civic participation.

Today, a modernised, pluralist democracy is developing before us, defined by devolution for Scotland, Wales and, in time, Northern Ireland, new forms of local governance, new levels of female representation, and significant advances in the modernisation of the House of Lords.

These constitutional changes are only one part of our broader agenda but they are vital ingredients in the social change we seek. This is because they show the capacity of government to fundamentally change the way in which people engage with political decision making. For example, it would be unthinkable now for the Scottish parliament not to exist. Four years on, its evident permanence and relevance to the lives of people in Scotland shows the foresight of John Smith’s earlier declaration that devolution was ‘the settled will’ of the people.

Indeed, it is still worth remembering that at every turn each of these constitutional changes was opposed by the Conservative party. Each was derided as an affront to the traditions and values of the British public. Each is now accepted by them as a positive step towards more responsive mechanisms of democratic decision making. The sustainability of those changes is a testament to the capacity of a progressive government to secure real changes to our democratic framework that enshrine our commitment to equality. It is this commitment to equality – and its foundation in our shared sense of citizenship – which distinguishes Labour from the Conservatives and forms the basis of our constitutional agenda.
Egalitarian citizenship

The Conservative attachment to the status quo reflects their internal ideological impasse when it comes to democracy. For some Tories, citizenship is about subjugation, not social justice. Modes of government exist to sustain the nation and a governing elite rather than represent the will of the people. For other Tories, democratic institutions exist to oil the forces of supply and demand. For them, there are no citizens, only consumers whose individual wants and their capacity to pay for them reign supreme. However, both political positions are united in their belief that no good can come of reform and, therefore, view concern for citizenship as incidental rather than integral to social or economic renewal.

In contrast, the Labour movement was forged by the recognition that equality in society can only be driven by a process in which every person has their say, be they a millionaire, a maths teacher or a miner. Yet sometimes in the past we too have undervalued democracy by seeing it solely as a hurdle to be jumped to gain control of the state – and from there to make socialism ‘happen’. In truth, democracy must be valued for its intrinsic worth. A participatory public realm is an essential element of an egalitarian society and not simply an added bonus. Without equal and open participation in decision-making processes, power and resource imbalances will always dictate outcomes, thus making inequality perpetual. Creating a political environment in which all members of society participate on a wholly equal footing is not a question of electoral advantage but goes instead to the heart of social justice.

The foundation of this conception of the public realm is citizenship. It is your citizenship, and the recognition of this, which defines the relationship of every individual to each other. It is the basis on which individuals can expect to hear – and be heard – by their fellow citizens. Hope within political life springs from a belief each individual holds that by participating in a democracy and ‘making a case’ they may help to shape the world in which they live. For the left, the potential of democratic institutions therefore resides within their potential to enable all citizens to decide the future together. Thus, a more egalitarian society is dependent on institutions and structures of governance which make real that equality; that give citizens the opportunity together to decide how taxes are raised and distributed, police allocated or international relations are conducted. At the heart of our interest in political institutions must therefore be our belief that they are the building block, and not the stumbling block, to equality.
The challenge now

Participation in the political process is thus a key guarantor of equality and opportunity, which is why, in our current democratic context, there is much to concern the left. Put simply, the falling turnout we face threatens not simply our electoral majority but our very capacity to create a truly egalitarian society. When Crosland wrote in 1975 of wanting to create a ‘wider social equality’, he too saw that economic measures of inequality were in themselves not enough to express the true measure of a socially just society. He too would have seen the changing democratic context in which we find ourselves in the present day as an area of legitimate concern and action.

From the Countryside Alliance to the anti-war marchers, people have revealed themselves as intensely exercised about political issues. Yet as declining turnout shows, this is not the story at the ballot box. Indeed, it is a great concern that the evidence shows it is not apathy that prevents political participation. Evidence gathered by Mori and the Hansard Society for their report *None of the above: Non-voters and the 2001 election* shows that whilst people continue to be involved in a range of what could be termed political activities, such as pressure groups or campaign organisations, they do not express their views through the ballot box or political forums. It is, of course, not unique to this government, either historically or internationally, to experience falling levels of turnout at elections. Yet clearly people are not disinterested; rather they are disconnected from the present mechanisms of political participation, including political parties.

For all politicians a pressing question is therefore how to re-establish political discourse so that it engenders a sense of the urgency about politics; that what in fact is at stake in the choices made by political entities are competing visions of society, rooted in fundamentally different values and sharply contrasting understandings of the human condition. If we do not challenge the view that ‘voting doesn’t change anything’ we may perpetuate the myth that elections are only a chance to register a protest rather than a real choice between potential parties of government.

In making those choices explicit we must also challenge the fog of cynicism that clouds our present political discourses. First in the United States and now here, we have seen the ‘Oprahfication’ of politics, where the growth of infotainment has seen the boundaries between politics and entertainment become blurred. Politics as reported then becomes a question of who is up and who is down, rather than being recognised as a site of...
fundamental choices for our national community. I believe that both politicians and the press must now recognise the cumulative effect of such changes. We should be willing to admit our respective responsibility for, at times, inadvertently contributing to a lessening of the sense of choice in politics by allowing the focus of attention to fall on such peripheral matters rather than the alternatives at stake for each citizen as they cast their ballot.

We need to recognise that the familiar democratic paradigm, in which the overwhelming majority of people are listening to the competing claims of political parties and in which the overwhelming majority of them vote, is crumbling and that this poses a hazard to a progressive agenda. This is because the capability of political parties to be the vehicles of our ideals is intrinsic to the capacity of political institutions to be the standard bearers of equality. If politics is about choices, then political parties are the carriers of responsibility for both the cause and effect of government. Without them, politics and decision making would only be rooted in the temporary whims of populism, with scant regard for the inevitable consequences of any decisions made. As such, only political parties allow lasting and coherent coalitions to be formed and progress to be made.

The challenge ahead: egalitarian citizenship and the third term

As we look towards a third term, I believe we must make tackling falling levels of turnout, and the disengagement of the public sphere this represents, a key priority. Fundamentally, it is the recognition of the opportunity politics offers to change our lives, our communities and indeed our world, which is key to revitalising interest in the process. We must be open about what choosing Labour means: that voting for us puts into office people determined to make Britain a society defined by a concern for social justice not unfettered market power. It is ultimately our shared vision of how we will change society, rather than the appeal of any one policy alone, that will motivate people to vote for us. In short, low electoral turnout can only be challenged effectively by high public purpose.

Such a vision is the bedrock of political revitalisation. It is also a necessary component in creating our capacity not just to adapt to the society in which we live but to transform it. In The Progressive Dilemma, David Marquand argues that the failure of previous Labour governments was to only focus on ‘mechanical’ reform to deliver services and so undermine the very civic entities which those services depended upon, by failing to shape the ‘moral’ values of a ‘Labour England’. Marquand writes:
'We create communities by practising the habits of community: we acquire citizenship by acting as citizens... these values cannot be taught. They can only be learned in use.' Put another way, if we get the ideology right, the policies, and the necessary public support for them and the process by which they were determined, will flow. In the years ahead, Labour must articulate a compelling narrative that reflects the mutual bonds of individuals, communities and the state as the basis of our policy agenda.

Getting our vision right, showing the difference voting for us could make to our shared future, must be the basis on which we then engage in an explicit discussion of the necessary constitutional and democratic reforms required to expand and sustain our vision of the good society. No one constitutional change can solve the challenge of low turnout, but together, as part of a progressive agenda, each can play a role. For example, it is within this context that we should ask whether further electoral reform could enable greater participation. We must take forward the unfinished business of reform of the House of Lords. Similarly, we must look at extending through regional governance the principle and practice of devolution within England. Across the whole of the UK we should not be afraid of using modern technology to overcome some of the practical barriers to participation people face in their everyday lives. E-voting, postal voting and staggered poll opening hours may all help to modernise the practice of democratic participation.

Seeking a more pluralistic approach does not in itself guarantee a greater equality in decision making. Accountability and accessibility must therefore be our watchwords as we seek to take forward the process of democratic renewal. A test of this will be whether our institutions, be they national or local, political or civil service, truly represent the diversity of modern Britain. This means tackling the fact that too few women, people from ethnic minority backgrounds and those with disabilities are represented in public life.

To seek a greater proportion of people from a wider range of backgrounds – not least including more young people – is not to suggest that a community is defined by a single characteristic. It is to recognise that until we have democratic structures which contain people from all walks of life we can never truly claim an egalitarian society. All-women shortlists will do much in the years leading up to the next election to redress the gender imbalances amongst our party representatives. I welcome the new thinking on these matters in local government, too. In our quest for a more egalitarian society we should seek in the coming years to sustain this momentum and ask where the barriers to
participation lie for other groups within society.

However, in considering any of these issues—be it electoral reform, active measures to improve representation, new forms of governance or technological advance—we must never lose sight of the need to link these changes to an explicit agenda about what kind of country we wish to create. Elections are ultimately a clash of ideas. Our approach to re-engaging the electorate must be based on the belief that it is our ideas that provide the best reason to vote. Voting is, and should remain, a quintessentially political act. We must seek both policies and narratives that create a real citizenship, which links civic, political and social rights through the development of the public sphere and that anchors citizens in a world of mutual reciprocity.

As we look to a third term, it is this narrative which will secure these reforms into a wider discourse about the progressive society we wish to create, and so help us to render irreversible the political climate of progress. Without such a vision, any reforms would be necessary but insufficient in themselves to deliver a more equitable society. In our constitutional changes we must secure within our society our sense of citizenship such that it would be impossible for a party of the unfettered free market to later destroy the networks of care, concern, mutuality and participation that we had established. Just as our Conservative predecessors did, our goal must be not to inhabit the centre ground of British politics, but to actively shift it. Championing the narrative of egalitarian citizenship through our words and deeds will help cement a new settlement between individuals, communities and the state, embedding our values of social justice into the very core of society for generations to come.

As the former US vice president and senator Hubert Humphrey argued in 1942: ‘It is not enough to merely defend democracy. To defend it may be to lose it; to extend it is to strengthen it. Democracy is not property; it is an idea.’

DOUGLAS ALEXANDER MP is Minister of State at the Cabinet Office.
Achieving more together

Britain's membership of the European Union has brought great economic and social benefits to the UK and has been of fundamental importance in securing peace and stability on the continent since 1945. Given these gains, however, it is sometimes difficult to reconcile the suspicion and reluctance that has characterised the actions of the Labour and Tory parties at different but significant periods throughout the postwar period.

It is also something that has touched my own family. In 1950 my grandfather, Herbert Morrison, was acting Prime Minister when the rather unprepared British government was invited to join the discussions on the formation of the European Coal and Steel Community. According to his biographers, Bernard Donoughue and George Jones, when the invitation arrived my grandfather was eating in the Ivy restaurant. He was promptly taken aside between courses and asked by his civil servants for an urgent decision on Britain’s response. ‘It’s no good,’ he said, mindful of the trade unions’ reaction to this proposed free market. ‘We cannot do it. The Durham miners won’t wear it.’

My grandfather was not alone in this view of Europe. His response was characteristic of the Labour government's attitude to the emerging European community. Led by Ernest Bevin, British policy actively sought to encourage co-operation between the continental Europeans but assumed that Britain would keep out of any resulting European organisation. Instead, the government envisaged merely that a close association of sovereign European states would work alongside Britain and the Commonwealth, supported by the US within a basically Atlantic framework. When more substantial integration started to take shape – a nascent European Union – Britain was left with no positive policy, only a negative reaction.

Initially, the consequences of Britain’s decision not to participate in the new European institutions were positively celebrated. The country was benefiting from the peace dividend and enjoying historically high growth and productivity rates. The success of the 1950s house-building programme and an increase in cars and ownership of consumer goods helped inspire the Tory boast that ‘you’ve never had it so good’.

Yet whilst the UK didn’t see it at the time, there was a heavy opportunity cost. When we rejected Common Market membership, Britain was more productive and wealthy than either France or...
Germany. Fifteen years later, both had overtaken us and we had missed out on the dynamic opportunities of the Common Market. With hindsight, Labour’s winning election theme in 1964 of ‘wasted years’ applied not just to the Tories’ lack of domestic vision but also to the Labour government’s failure to engage with the continent from the start.

There were other effects too. We lost out on the ability to shape the rules – something today’s generations continue to pay for through the wasteful Common Agricultural Policy. We also created an impression on the continent that Britain is a reluctant participant, dragging its feet and pulling back on the reins of integration. This reached its height with Mrs Thatcher’s ‘no, no, no’ and the Major government’s empty chair policy. As a result, in the early 1990s Britain had lost its rightful influence at the centre and it was our interests that suffered most.

That is why one of the new Labour government’s most important priorities in 1997 was to turn round our relationship. Tony Blair’s leadership in the EU has done this and brought real benefits to the UK through a confident and progressive programme of engagement with our European partners rather than hostility and confrontation.

This positive programme comes directly from our values as progressive, modern social democrats. Believing in equality, social justice and the right of all to benefit from the opportunities of modern society, we will achieve them through policies founded on solidarity and community. Our beliefs are internationalist too: extending new life chances to the developing world where lives are blighted by want and tyranny.

The EU matters because the opportunity to achieve goals based on these values is best expressed – and can only be achieved – within a European context. The reason why those of us on the centre-left believe that Britain’s place is truly at the heart of Europe is because our core national values of solidarity and community are fundamentally European. It is why I believe that you can be pro-European and not of the centre-left in today’s world but you cannot be of the centre-left and not committed to Britain playing its full part in Europe – the two are irretrievably bound together in modern progressive politics. And the only way to shape Europe is from the standpoint of convinced Europeans rather than those who cannot make up their minds whether they are half in or half out. It is this that must drive the Labour movement’s goals in Europe for the decades to come.
The progressive case for economic reform

Revitalising Europe’s economy will greatly depend on Britain’s influence. As a social democrat I want to see more jobs, greater prosperity and justice. To sustain and deepen our nation’s prosperity in today’s globalised world, we need to be part of a larger economic grouping. We gain from deepening economic integration across Europe. That is why social democrats should be fully behind the Lisbon programme of economic reform. Europe needs the stimulus of more open product markets, a truly integrated capital market and a more flexible labour market. We need more enterprise, less stifling regulation and a better record in turning our science and research discoveries into commercial innovation.

There are logjams in the EU decision-making processes where the institutions and their working methods need reform. And politics in certain member states – particularly France and Germany with high standards of welfare – makes reform difficult. Britain needs to convince those with fears about change that the objectives of European economic reformers are not neoliberal; that the Third Way Tony Blair has espoused is not alien and sub-Thatcherite but rather a genuine project for the modernisation of continental social democracy that combines economic dynamism and social inclusion.

Progressives need to succeed in achieving economic reform because deepening integration across a wider market stimulates new jobs and helps reduce the ravages of high unemployment. It is jobs for those who want them – including the young, single parents, those with disabilities – which remain the foundation of social justice. However, across the EU there are still fourteen million people out of work – 1.7 million young people who have been unemployed for more than six months; five million people unemployed for more than a year. And, with the arrival of the cheap labour available in the accession countries next year, the need for reform in the west can only get more urgent.

So social democrats should embrace economic reform and deepening integration of markets with enthusiasm. But to retain our values, we must also ensure that this happens in a way that combines dynamism with social justice. This means ensuring that decent social, environmental and consumer standards are met across the Union. We should not be scared of legislation to establish minimum workplace standards as long as the laws are genuinely pro-employment, matching modern labour market requirements, and do not burden firms with
over-regulation. Economic reformers should ensure they come across to our partners not as neoliberal deregulators, but as committed modernisers of the European social model.

The political and economic need for the euro

Dynamism and fairness are principles that the Blair government will push strongly at the negotiating table. However, if Britain is going to have real influence implementing reform then we need to show we are serious by committing ourselves to join the single currency in a realistic timeframe. This is fundamental to maintaining Britain’s long-term political influence in Europe and our ability to shape those decisions that affect us directly, whether we are in the euro or not.

Of course, I fully support the Labour government’s policy that joining the euro must be based on a hard judgement that membership is in Britain’s economic interests. The assessment of the five tests published on 9 June showed that with the achievement of sustainable convergence and flexibility all five tests can be met, and laid down the concrete and practical steps to follow. These include working towards a step change in the planning and supply of housing and in the market for long-term mortgages, as well as radical reforms at a national, regional and local level to enhance the flexibility of labour, capital and product markets in Britain.

However, there remain other costs to the UK’s absence from the eurozone. Greater foreign direct investment in British manufacturing jobs entails the removal of the uncertainty and transaction costs that arise while the UK is outside the single currency. After decades of stagnation our industrial heartlands depend on foreign investment and it is in Labour towns like Hartlepool and many others that are missing out most. And, as the party of full employment and higher living standards for working people, it is Labour people who should be regretting this most.

Outside the euro, Britain is also paying a price in lost trade and share of Europe’s foreign investment as international business chooses to locate in countries that are in the eurozone. This will only get worse when we face competition within the EU from the relatively lower cost economies of the central and eastern European accession nations.

There is overwhelming backing within the party to fulfil our two manifesto commitments supporting EMU membership. However, there remains a small minority in our movement who claim that the euro is
a distraction from Labour’s commitment to public service renewal and that Britain’s economy is performing better outside. Not only does this ignore the fact that Britain has one of the lowest GDP per capita in the EU – which clearly has greater consequences for the poorest in our society than the rich, but in my view this is a leftwing, 21st-century equivalent of the Tories’ ‘you’ve never had it so good’.

Tony Blair’s government has achieved record and sustained investment in health and education through its commitment to economic stability and sustained growth. By missing out on the employment, investment and economic growth gains from membership of the single currency, Britain and Labour would be less able to afford similar investments in future. This would be particularly harmful if Labour is to commit itself, as I believe it should, to matching continental public service provision long into the future.

We achieve more together

The fact that economic and social liberties that we expect and take for granted are often secured through inter-governmental co-operation shows the benefits of integration to EU citizens. That is why progressive, pro-Europeans need to make and win the convincing argument for Europe in each member state by saying how we achieve more by being within the EU than standing alone.

In Britain, even where we accept ‘more Europe’, our public rhetoric has been too defensive. We have argued that minimal sacrifice of national sovereignty is involved, rather than put the positive case for the pooling of sovereignty to tackle problems beyond the reach of the national state. Institutionally, our first instinct within Europe is often still to protect our national sovereignty rather than our national interest, believing that the way we have done things in Britain remains the best in the world. We regard common European action as an unnecessary interference. This inhibits examination of areas where practical needs drive further integration and could advance the British, European and the wider international interest.

This attitude must change. Through globalisation there has been an increased prominence for matters like the terms of international trade, how we deal with third world debt and the best way to tackle environmental degradation. Collective action at the European level offers benefits in all these areas.

Indeed, how the EU deals with trade issues offers a rough model for
co-operation. I firmly believe that in this globalised world, it is in Europe's interests to be a force for trade justice, for openness and free trade against the ever-present threat of creeping protectionism. In this area collective EU action, with significant support from the British government since 1997, has benefited the UK, the EU and the developing world because, by speaking with its common voice in trade reform at WTO negotiations, the EU nations have enhanced our negotiating power against the American economic superpower and have been able to counterbalance its protectionist Congressional lobby.

The EU needs to demonstrate similar collective action when working to reform the international financial institutions crucial for reacting to the world's financial crises and working to achieve debt relief for highly indebted countries. Until now, by struggling to reconcile differences with the EU we have had less success in promoting an agenda which Europe and the US can agree on and have abdicated influence to the powerful interests of the US Congress and administration.

Similarly, the need to respond to the environmental threat of global warming means that EU-wide action is unavoidable if we are to achieve the pledges to cut carbon dioxide emissions made at Kyoto. Promoting sustainable energy consumption requires bold new ideas and collective policy initiatives if it is to work. For example, binding European targets for electricity generation from renewables and a determined switch to public transport.

All this is not to say the EU is perfect. Far from it. Europe is still too protectionist about admitting agricultural produce from the developing world. It administers its own aid programmes inefficiently. There remains a lot of argument and fudging about how we achieve our Kyoto targets. However, it is a platform for democratic action in a world where political problems no longer respect national frontiers and on trade, aid, sustainable development, Africa, our shared ambitions for a more just world would be harder to achieve without the EU's clout.

The importance of Europe in a post-9/11 world

Developing an effective, collective European response to criminal and terrorist groups has also assumed a far greater importance after the horrific events of September 11th.

For a long time we have accepted the need to work internationally to address security issues which have eluded the reach of member states
on their own. Fifty years ago, the greatest threat to law and order was the emergence of highly organised criminal gangs in our cities. Now terrorism, human trafficking and drug related crime are by far the biggest menace, organised on an international basis by well-funded networks which sometimes possess greater resources and access to ballistic and weapons technology than some nation states.

Europe acting together in the first instance, then co-operating with America where necessary, has some hope of acting as a bulwark against these threats. As separate nations it would become more difficult, which is why we need more European cohesion, not less, in dealing with border movements, arrest warrants and extradition. This represents a real change in attitudes amongst many in Europe from just a few years ago.

The European Union has already found an important role in securing democracy, peace and security on the continent. Next year, the ten accession countries will join the EU from central and eastern Europe. They are all democracies; all committed to the protection and advancement of human rights; all believers in combining economic freedom with efforts to provide some kind of social justice. Of course, it was in part America’s commitment to defending postwar Europe, and its subsequent victory in the Cold War, that won these countries their independence. But let’s be clear. It is the aspiration to be a part of the EU that has held Europe’s nations to the path of democracy and social justice.

The united commitment of the EU nations to bring peace and security to the wider continent has also played an important role in tackling the terrors of ethnic cleansing and Balkan conflict. In Kosovo, for example, the international community’s success in averting genocide owed all to the dominance of US air power and the willingness of President Clinton to intervene thousands of miles away. But does anyone imagine that America would have spent billions of dollars for a little known province in the Balkans without the united commitment of its European allies and our peacekeeping experience? And would America’s resolve have held if Europe’s unity had collapsed?

However, some of the divisions that arose on how to tackle the threat posed by Saddam Hussein and his WMD programmes have shown that there is more work to do here. Whilst EU citizens have lived in relative peace and tranquillity since 1945, we should recognise that this has come about because we are protected, ultimately, by American power.

Faced with a serious threat, either in Europe or beyond, we would
not have the means of responding without American support. And with the modern threats of global terrorism and weapons proliferation re-writing the rules of international engagement, this is as true now as it was when we relied on American power to confront the Soviet Union’s military threat.

In the context of Iraq, this has led to the Labour government’s approach coming under attack from two sides. The right has argued that Britain’s only reliable ally is America and, therefore, Labour should abandon its designs for a closer Europe. Conversely, some on the left argue that Britain has betrayed Europe by throwing our lot in with the neoconservative Bush administration and that the only way to get out of this bad company is to put Europe before the US in future.

Not for the first time, New Labour is being presented with false choices by our friends on the left and our enemies on the right. In actual fact, the dividing line we need to put in place is not Europe versus America but the best versus the wrong relationship between Europe and America. The international alliance that progressives believe in — and one that the Americans actually need — is a less unequal partnership between an internationally engaged United States and a more united and cohesive — and better militarily equipped — European Union.

In fact, since the Marshall Plan when America invested billions in rebuilding the social and economic infrastructure of war-torn Europe, has not US policy been to help develop a stronger EU on the international stage? We might irritate them on occasions but they know that they alone cannot carry the world’s security on their shoulders. Especially in a post-9/11 world, America’s safety requires the cooperation of other countries.

And fundamentally, despite the left’s present disagreements with President Bush’s conservative domestic policies, both the EU and the US share the same wider international agenda. It is one of seeing freedom and democracy entrenched in every continent, of economic opportunity created in every corner of the globe and respect for human rights embedded in every society. These all require the commitment of all the world’s richer countries, with America and Europe, together, leading the way.

Through Britain’s leadership in Europe, we have the potential to promote the internationalism that runs as a golden thread through social democracy and the Labour movement. Certainly the socialist pioneers who established our party were almost without exception
internationalists because they believed in the brotherhood of man and
because as democratic socialists, they recognised that true social justice
could only be built on a foundation of democracy and respect for
human rights.

Results, not rhetoric

The Europe that I want to see requires the pursuit of progressive
economic reforms, explaining and winning support for supranational
action that gives us greater control over those key issues too large for
the nation state alone.

Labour has been hugely successful since 1997 in giving a progressive
imprint to EU decision making. British influence has helped in securing
enlargement; in working for economic reform and for change to
wasteful schemes like the CAP; in building support for the Common
Foreign and Security Policy for defence co-operation; and in winning
support within the European Convention for protecting the rights
of member states and seeing off moves to a federalist Union.

It is our practical success in making European integration work
for the benefit of the general public in these areas that is the best way
of winning greater support in Britain, and across all member states, for
the EU.

This will require clarity and consistency in policies and institutional
reform, joined together by strong political leadership to ensure that the
progressive vision and momentum in Europe is not lost. This political
leadership involves Britain signing up as a fully committed member of
the EU’s future – not hobbled by half-in-half-out reticence that will
lesser our much-needed influence on our partners.

The tough choices and determined political arguments needed to
persuade the British people of the case for the euro and for our positive
role in building the relationship between Europe and the US will not
necessarily make for an easy life. But the rewards of success are high for
the people of Britain, Europe and the wider international community.
They are why I believe that we have no other choice but to make the
progressive case for Europe.

RT HON PETER MANDELSON MP is chair of Policy Network. 
Ending the progressive deficit: a vision for Labour’s third term

On 2 August 2003, amidst the summer obsession over Iraq, spin and New Labour's first serious poll dip in nearly a decade, the government passed a remarkable milestone, surpassing the record set by Clement Attlee to hold office for a longer continuous period than any other Labour government has before.

The government inherited formidable problems in 1997. The Conservatives promoted a rampant individualism that undermined the principles of both a strong public realm and of citizenship. At the same time, growing economic globalisation meant business interests were increasingly equated with the public interest, encouraging a pernicious defeatism about the continuing legitimacy and viability of active government. Meanwhile, inequality had grown massively, our public services were terribly neglected, environmental damage grew, and people’s quality of life deteriorated.

Labour has devoted the past six years to re-establishing a progressive political agenda. We have achieved many notable successes – uniquely for any Labour government, a strong and successful economy, near full employment, increased living standards for the poorest, the foundations in place to rebuild our shattered public services, Britain’s position as a leader in Europe and on the international stage established, and radical reform of our democratic institutions begun.

We have proved that it is still possible for state activity to make a real difference to people’s lives. Despite this, Labour has often appeared reluctant to make a clear intellectual case for this, preferring instead to let the results speak for themselves.

Yet if we are to win a third term of office, it is essential that we better communicate our vision of society, to both the electorate as a whole, and, in particular, to our core supporters. As I and other cabinet colleagues have argued, we have to come across less as managers and technocrats, and more as a government inspired by a clear set of values and goals.

In our first two terms, the absence of such ideological clarity has made it harder to maintain support for our public sector reforms. In the
case of foundation hospitals, for instance, feeding fears that the policy was a step towards privatisation rather than about decentralising control to local staff and the community. That absence has also encouraged an overall perception that we are not really that different, that ‘all politicians are the same’, and that the election of a Conservative government, therefore, might amount to nothing more than a change of management rather than what would actually follow: a devastating return to minimalist government and policies designed to look after the few at the expense of the many.

We are in danger of allowing the scale of what we have achieved so far to be taken for granted, instead of galvanising our supporters for the further challenges ahead. There is an increasing tendency simply to pocket what we have achieved: a minimum wage is seen as part of the landscape, not the historic reform Labour waited a century to secure. Economic stability is similarly seen as part of the furniture of life, rather than a distinctive product of distinctive Labour policies. This risk is compounded by the problem of an increasingly hostile media that sees itself as a counterweight to the government in light of the weakness of the Opposition.

To fulfil our vision of a progressive society in our third term, we need a renewed focus on a strong domestic agenda, built around three key themes: narrowing the equality gap; building strong and responsive public services; and improved quality of life. This domestic agenda must go hand in hand with a greater push for progressive internationalism and radical environmentalism, and the completion of our programme for democratic renewal.

Our vision stands in stark contrast to arid Tory neo-liberalism, a view of society that sees everyone as calculating and selfish economic actors. Quality of life is about more than simply achieving a narrowly defined economic equilibrium. It is Labour policies, not Tory tax-cutting and small government, that will deliver the kind of improvements people want.

Closing the equality gap

Despite the vast inequality inherited from the Conservatives, we have already achieved a great deal. The introduction of a national minimum wage has increased the wages of some 1.5 million people in low-paid jobs, two-thirds of them women. Our system of tax credits has raised the incomes of those who need it most. Since 1997, 1.4 million
fewer children are living in poverty than there would otherwise have been. We have seen the greatest fall ever recorded in families living in severe hardship. And we have introduced the Minimum Income Guarantee for pensioners to help combat the scourge of poverty in old age.

During the 1980s, income inequality grew faster in the UK than almost any other developed country. While the Tories were in office, the incomes of those at the bottom rose by only six percent in real terms, while those at the top saw incomes rise by a massive 82 percent. Millions of people were stuck in low paid jobs; four million children and two million pensioners were in poverty. By contrast, we have been one of the most redistributive governments ever: since 1997 the real incomes of the poorest tenth of society have risen by 15 percent with those of the richest falling by three percent. This gap needs further narrowing whilst still rewarding risk taking, enterprise and success – because huge inequalities remain.

We must continue to tackle financial inequalities through increases to the minimum wage and tax credits, as well as moving beyond the success of the New Deal to helping the large numbers of people still classed as economically inactive. We must tackle financial exclusion through universal bank accounts and support for credit unions and LETS, as well as more imaginative incentives to encourage savings amongst those on lower incomes.

A major challenge will be addressing the way we fund decent pensions at a time of an ageing population. At present, there are 2.5 people in work for every pensioner. By 2031, this ratio will have dropped to two working people for every pensioner, meaning we will have to work longer and save more to enjoy the equivalent living standards in old age. And there is powerful evidence that we are not currently saving enough. We should keep an open mind about how to encourage people to save more including, if other options fail, requiring people to do so.

There is growing evidence that a child’s life chances are shaped at a very early age and we have achieved remarkable success in co-ordinating services for pre-school children in deprived areas through the Sure Start programme. We must look for further ways of preventing inequality from taking root at the outset of children’s lives.

Improved childcare must be a focal point of our battle against inequality. Work remains the best route out of poverty for the vast majority of people, but for many, particularly single parents, inadequate
childcare represents an insurmountable barrier. The Childcare Tax Credit has already made a significant impact in widening access. But for many poorer families, affordability remains an issue. Universal access to affordable childcare must therefore remain a centrepiece of our drive to eliminate child poverty.

The Child Trust Fund has the potential to help transform the current inequalities in access to life chances by providing all young people with an asset at the start of their adult life. But to make this a real asset, it is vital that we ensure it is funded through regular public contributions matching private ones as generously as possible.

A decent education remains the best route out of the cycle of generational poverty. It is right that we have had to take radical steps to reform higher education and build world class universities. It is equally vital that we now prioritise the more than 50 percent of young people who do not go on to university, yet receive nowhere near the levels of student support to complete vocational qualifications or apprenticeships. Britain currently performs poorly on Level Two and Three skills in comparison to other European countries such as Germany. Raising technical and vocational skills should become a priority over squeezing still more into the university sector to meet a fixed target.

Finally, in all the policies we bring forward, we must never fall into the trap of thinking that a change of legislation automatically leads to changes on the ground. The national minimum wage has been a highly effective instrument in our fight against low pay, yet we need to do more to tackle those unscrupulous employers who continue to exploit their workforce, relying on a conspiracy of silence whereby workers do not report abuses out of fear for their jobs. Equally, to improve uptake, we need to look for ways of simplifying how working families and pensioners claim tax credits.

Responsive public services

Britain’s public services were in a parlous state when Labour came to office following decades of Tory under-funding, under investment and botched reforms. Despite the scale of the progressive deficit in our public services, we have made substantial advances. We are committed to the largest ever sustained increase in expenditure on the NHS, with health spending due to rise by an average of 7.3 percent a year every year until 2008. By then total NHS spending will have soared from 5.5 percent of GDP to 8.4 percent, well above the EU average. And we have
embarked upon the largest hospital building programme since the establishment of the NHS.

We have also seen the highest ever primary school test results, infant class sizes of more than thirty have been all but eliminated, and we have achieved our target of fifty percent of secondary school children achieving five or more good GCSEs a year ahead of schedule. By 2005-06, education spending will have increased by more than £1,000 per pupil in real terms compared to 1997-98.

Despite these achievements, people are increasingly questioning whether our ability to invest additional resources from general taxation can keep pace with society’s ever increasing expectations – particularly those of Labour’s pivotal middle class supporters. Some on the left have therefore recently begun to flirt with the idea of introducing co-payment for core public services to generate extra contributions from the public above and beyond general taxation. They claim that this would preserve the principle of universality by dissuading Middle Britain from opting out of state provision altogether. But that is not a version of universality I recognise.

Similarly, some on the left have argued for the introduction of vouchers in health and education to extend ‘choice’. Of course, public services must be inclusive and meet everyone’s needs – including people with higher expectations – and they must offer choice wherever possible. But vouchers would benefit the private sector at the expense of state schools and NHS hospitals.

Yet we do need to rebuild trust between government and citizens, and we do need to have an honest debate about the limits of general taxation to fund our public services, not least because of increasing pressures on taxation if we also wish to use taxation to redistribute to those on low incomes.

These ideas are only worth exploring if we do so in a way that does not undermine the core principles of public service provision. Yet, we appear to be starting the debate about co-payment from the wrong angle. Instead of looking at where co-payment might be acceptable to Middle England, we should instead be first setting out the principle of services which we guarantee to deliver to all citizens, free at the point of use and fully funded by general taxation.

We could set out such an approach in the form of new ‘Citizens’ Contracts’ with the public in return for the tax they pay. Nothing ring-fenced within the Citizens’ Contract would be a candidate for charges or co-payment. The Contract, sent to all citizens annually, would set out
the entire range of services they can expect from the government, alongside the minimum levels of financial support, through tax credits, pensions or childcare support. Beyond this essential principle we can sensibly debate the limits of co-payment, safe from undermining the very foundations of core public services equally available to all.

A sensible debate on co-payment needs to acknowledge the significant differences between public services. Most people think of health and education when they hear the term. And those services are clearly central to building a better and more equal society. Education is a key source of our chances in life. Freedom from ill health is a right owed to all of us, not a commodity. For health and education, the principles of equity and access for all are therefore key.

But public services include many other things, from transport to refuse collection. Not all forms of co-payment raise issues of equity or access — indeed, in some services or elements of services, an extension of existing co-payment might be appropriate. For example, congestion charging and road pricing to encourage people to shift from road to rail, for environmental reasons. But in education and health we must tread carefully.

On education, all children are entitled to, and should always have access to, high quality primary and secondary schooling for free. So, education vouchers are unacceptable. The first step I took in government within a week of taking office in 1997 was to abolish nursery vouchers in Wales - a hugely popular step with parents and teachers, let alone party members. Enabling parents to use those vouchers, either to subsidise private education, or to buy better opportunities for their children within the state sector with a co-payment or top-up, would institutionalise within the state education system the kind of social inheritance that we are trying to eliminate. Good schools must never become the preserve only of those children whose parents can afford them.

Yet, where co-payment can be more easily justified is in the area of higher education, which is in reality not an option available to all. So it is right that students bear some of the responsibility themselves - although it is right that they do so only once in work and earning above a decent threshold.

In healthcare too we must defend the principle of a service free at the point of use. Healthcare needs are inherently unpredictable. The cost of individual treatments can be enormous. And ill health does not respect an individual’s ability to pay. So any co-payment for clinical services
would be unjustifiable. Some have suggested levying a charge of around £10 for a GP appointment, for example. This would clearly deter people from seeking necessary medical attention and would disproportionately affect those on low incomes. Similarly, the introduction of vouchers to enable patients to part-pay for operations in the private sector would secure faster and better treatment only for those able to pay extra.

Yet, again we need to acknowledge that co-payment already exists on the fringes of the NHS – through prescriptions and for dental and optical services. But the sums of money involved are small, and the current system of co-payment lacks coherence and contains a number of inequities. To further extend the scope of such charges as the Tories now propose would be to further extend those inequities. Indeed in Wales, the Labour administration is phasing out prescription charges for all as a key element of its welfare-to-work strategy.

Of course, this very cautious approach to co-payment in our core public services does not preclude the extension of choice. For Labour, choice must be a question of improved access and user-friendly, high quality services for all. We should be seeking to empower our citizens but we must extend choice in a way that undermines neither equity nor access. As Gordon Brown has rightly argued, there are limitations to choice when the NHS is a monopoly supplier unless we are to accept the Tory agenda of ever increasing marketisation and privatisation.

We must also encourage greater local participation in the development of public services, while at the same time maintaining the national standards that we have fought hard to put in place. This must be more than simply bolting-on a local users’ committee, reserving places on management boards, or replacing a central bureaucracy with a local one. We need to find ways of generating real local engagement. Similarly, we need to learn to trust people to make decisions locally. The very notion of devolving power implies the freedom to experiment and to depart from how things are done elsewhere.

We must also restore a relationship of trust between government and the dedicated public servants who provide our health and education services. Public sector workers have been through more than a decade of almost permanent structural revolution, leaving many feeling demoralised and fatigued, constantly re-organising rather than delivering. We have to work harder to ensure public sector workers feel that they are partners in reform, which in turn will help us to better deploy their skills and expertise to the benefit of those who depend on those services.
Improving our quality of life

Since 1997, the government has made huge strides towards delivering improved quality of life, not least through its success in delivering macroeconomic stability: the lowest interest rates, the longest period of sustained economic growth and longest period of growth in living standards for half a century, along with the lowest inflation for thirty years and unemployment lower now than it has been for a generation.

There is more to quality of life, however, than economic prosperity - crucial though that is to deliver our wider goals. The lack of affordable or decent quality housing, congestion, long commutes, poor public transport, no time for our families, too few green spaces and leisure facilities, neglected communities, anti-social behaviour, the fear of crime - all these diminish the quality of our lives.

A priority for our third term must be a renewed focus on building more ‘liveable’ communities. This ‘liveability’ agenda requires us to recognise the close linkages between policies on economic development, housing, transport, crime, health, and the environment. It also requires us to accept that the solutions to many of these problems will come by empowering communities rather than a prescriptive top-down approach to community regeneration.

We must also seek ways of rebuilding our sense of community and creating a local public realm based in new community spaces. Existing building such as schools and libraries represent an underused resource. We should act to remove the obstacles to schools and libraries being used as a community resource whenever they are not required for learning. They should become a focal point for the local community, a place local groups can gather, people can discuss local issues and where leisure activities are available.

We need to introduce measures to turn the local urban environment into a community space. Residential streets need to be reclaimed for pedestrians and cyclists by designating them as ‘home zones’ where traffic is either excluded or speeds are dramatically reduced. Pavements should be widened, trees planted and community art encouraged to brighten our streets. We also need to invest more in the maintenance of green spaces in our towns and cities, giving people a sense of ownership over their public spaces.

Crime and anti-social behaviour, even low level offences such as petty vandalism, have a hugely disproportionate impact on quality of life. Community initiatives can play a key role in reducing crime and
the fear of crime. New York has piloted a scheme whereby local residents are offered a rent discount to act as door supervisors in deprived residential blocks that could never otherwise afford such a service – an initiative that has cut crime significantly. We should continue to roll out community warden schemes across the country, providing reassurance to neighbourhoods afflicted by crime.

Provision of facilities for young people can help tackle anti-social behaviour. Many people feel threatened by groups of young people loitering in public areas. The answer surely is to enable young people to gather in their own public spaces – by investing in youth shelters, skate parks, graffiti walls, football pitches, martial arts and other sporting facilities, not to mention organised after-school clubs and facilities.

The lack of affordable housing in many parts of the country must be addressed. For many people on low incomes, including key public sector workers such as teachers and nurses, this is a major problem, meaning long commutes and an erosion of family time. But it is also a problem for the community as a whole, resulting in labour shortages in key areas such as public services, especially in London and the South East. It is socially divisive, because communities become socially stratified, with no mix of income groups.

Addressing this problem requires a halt to urban sprawl. The priority must be to reinvigorate our towns and cities, creating vibrant urban communities. We need to promote brownfield development, the conversion of disused commercial buildings to create new housing and bringing empty properties back into use. We need to reaffirm our commitment to mixed-use development, so that places of work and residence are brought closer together. We must guard against the creation of new ghettos by ensuring that developers are required to make adequate provision for social housing, wherever possible on the same site as the main development.

On transport too, we must consider radical action. Traffic congestion is already a major problem, and despite the action the government has already taken, traffic growth of 20-25 percent is projected by 2010. The environmental impact is also worrying – transport currently accounts for a quarter of all carbon emissions in the UK, to which road transport contributes 85 percent.

The solution to this is not simply to penalise car use. It is essential instead that we offer people high-quality public transport alternatives, that we reward those who use their cars more efficiently, that we take advantage of technological innovations, that we encourage more people
to cycle or walk, and that we reduce the need for people to make journeys in the first place.

On public transport, we need to better integrate different transport modes, rolling out combined ticketing and travel card programmes across the country so that people can switch easily between different modes, enjoying seamless travel, and can take advantage of unlimited travel where it meets their needs. We need to introduce more bus services, including utilising innovative technology for more flexible bus and mini-bus use, allowing travellers to dial in their addresses and travel times so that drivers can call nearby.

Employers also have a role to play in promoting cycling, either by improving facilities such as showers and lockers for people who choose to cycle to work, or by providing travelcards or cycling allowances as a benefit in place of company cars.

Selective extensions of road pricing can encourage more efficient road use, something which Alistair Darling has already begun. And as the technology improves, it is even possible to envisage sophisticated systems of marginal pricing, similar to those used by low-cost airlines, so that it costs more to drive when the roads are busiest. New technology - intelligent transportation systems - could also be used to police other efficient road-use mechanisms, such as high occupancy vehicle lanes.

Improving people's work-life balance is another key part of raising quality of life in the UK. We need to encourage employers to offer people more flexible working arrangements so that they are able to build work around their lives, not the other way around. Jobshare and flexitime arrangements should be available wherever possible, and people need to be encouraged to exercise their parental leave entitlements so that they can spend more time with their children. Home-working is already becoming part of our culture, with a rising number of people working from home at least one day a week.

Progressive internationalism and radical environmentalism

Alongside an ambitious third term domestic policy programme, it is essential that we continue to recognise the increasing impact of what happens abroad on our lives at home. Failure to tackle global poverty, poor educational opportunities and environmental destruction all have impacts. Lack of food and education breed terrorism, not to mention the effect on migration. Likewise, global warming doesn't recognise national borders.
Security is a key issue as we seek to adapt to our changed world. Where states that were once sworn enemies now co-operate freely and are bound ever closer together through trade links, those same states must face the increased threats of instability from state failure elsewhere in the world, and the problem of rising global extremism, weapons of mass destruction and terrorist activity.

But human rights and trade justice are also critical – the security problems that we face have their roots in regions of the world that have suffered for decades from poor governance, human rights abuses, and low levels of human and economic development encouraged by punitive trade terms. Similarly, we feel the impact of these international failures not only through their direct effects, such as terrorist attacks, but indirectly through increased numbers of people seeking asylum as they flee war and persecution in their home countries.

Labour has been courageous enough to intervene in support of human rights and international security. In Kosovo, to stop ethnic cleansing and genocide, and help drive Slobodan Milosevic from power to be held accountable by the international tribunal in The Hague. In Sierra Leone to stop its people being viciously mutilated by terrorists. In Afghanistan to remove the odious Taliban regime, which had propagated international terrorism on a massive scale and deprived millions of Afghans of the most fundamental human rights. And in Iraq to remove the Saddam Hussein tyranny and its threat to world security.

But international political and legal structures must adapt to changing problems and threats. The International Criminal Court is vital, yet will lack credibility as long as the United States remains outside. Britain must help develop the right international structures to deal with those threats, persuading the United States that multilateralism brings security by bolstering the principle of the rule of law at an international level, and strengthening the United Nations.

We need also to tackle the global poverty that feeds extremism by actively promoting trade justice for poor countries and providing them with further assistance in dealing with their crippling debt burden.

Our government has led this drive, hugely increasing our aid budget after years of Tory cuts, and securing an international package of debt relief. Now we must ensure that this is matched with a fair settlement on trade. There must be no one-sided trade bargain whereby poor countries are required to open their markets without rich ones being prepared to open our markets in areas such as agriculture. Similarly, the issue of access to essential medicines (such as for HIV) also needs to be addressed.
And the key agent for this ‘progressive internationalism’ is Europe. With its values of social justice, equal opportunities, environmental sustainability, democracy and human rights, and as the richest and largest single market in the world, the European Union has the potential to be a powerful global force for good. But it needs reforming to realise this potential.

Climate change too is an urgent threat which requires co-ordinated international action. This is clearly not something that can be addressed unilaterally. This means persuading all countries, particularly the United States, to sign up to Kyoto and rapidly reduce carbon emissions. And unless China and India, the coming giants of the world economy, are also persuaded to go green there is little hope for the environment.

In the meantime, Europe must continue to take a lead in pushing for emissions reductions, particularly through new technology. This is especially important because, in future, it is likely to prove harder to achieve reductions on the scale we have accomplished in the past. This means prioritising renewable energy worldwide, with donor nations transferring significant resources away from conventional aid projects to fund renewable energy projects for the developing world, in partnership with private companies.

Likewise, Britain has the potential to become a world leader in renewable technology if it invests substantially in its development, bringing both increased exports and new, high-skill manufacturing jobs to the U.K. We currently generate only a tiny proportion of our energy from renewable sources, comparing unfavourably with many of our European neighbours. The government aims to generate 20 percent of our electricity from renewables by 2020. Unless the proportion of energy we generate from renewable sources is increased substantially, we will struggle to meet our target to reduce carbon emissions by 60 percent by 2050. If Shell International can foresee half the world’s electricity being generated from renewables by the middle of this century, then Europe should be at least as ambitious for itself and the globe.

At the same time, we must ensure there is no public subsidy for new nuclear build. The costs of nuclear are simply too high – radioactive waste, decommissioning costs, the risk of a nuclear accident or terrorist attack.
Conclusion

The record of our government so far has been impressive. Despite gloomy international economic conditions, we now have the most stable and successful economy in living memory. We have public services that are improving all the time, and poverty is being steadily reduced. We have delivered the most significant package of democratic reforms in over a century, and we have played a leading progressive role in international affairs.

These achievements have gone a long way towards reducing the progressive deficit that accumulated during eighteen years of Conservative government and as a result of major global socio-economic change. However, we are still a very long way from seeing our vision of a progressive society anything like realised.

If we are to achieve this, we need to be able to articulate this vision clearly, and to ensure that the values underpinning it are clearly understood. Otherwise we will see a resurgence of the corrosive cynicism that will assuredly pave the way for the return of the right.

With a first term devoted to getting the economy back on track and a second to rebuilding our public services, the government and party must now unite around a radical domestic policy agenda for the third term, focused on clear objectives: closing the equality gap, investing in responsive public services, and improving our quality of life. All underpinned by a progressive internationalism and radical environmentalism – because what we do abroad, impacts on us at home. With such a programme we can win an historic third term and address the considerable progressive deficit that remains.

RT HON PETER HAIN MP is Leader of the Commons and Secretary of State for Wales.
Introduction
Robert Philpot

Economy: The importance of being earners
Philippe Legrain

Public services: Public service matters
Dan Corry

Inequality: Fair shares
Barbara Roche

Democratic renewal: Democracy challenge
Douglas Alexander

Europe: Achieving more together
Peter Mandelson

Conclusion: Ending the progressive deficit: a vision for Labour’s third term
Peter Hain